Women-Owned Firms in the U.S.

A Review of Important Areas of the
2007 U.S. Census Bureau's Survey of Business Owners

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National Women's Business Council

Advisors to the President, Congress, and the SBA

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A REVIEW OF IMPORTANT AREAS OF THE 2007 U.S. CENSUS BUREAU'S SURVEY OF BUSINESS OWNERS

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Prepared by

UNCF Special Programs Corporation

UNCF Special Programs Corporation (UNCFSP) is a non-profit 501(c)3 that has extensive experience developing programs that include evaluations, surveys, and in-depth analysis of data for numerous underrepresented populations. UNCFSP has the expertise and technology gained from more than 10 years of experience implementing, analyzing, and assessing programs with system partners, including higher education, private industry, and federal agencies. Our mission is to provide MIs with the ability to identify, qualify, and capture government opportunities.

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National Women's Business Council

The National Women's Business Council is a non-partisan federal government council created to serve as an independent source of advice and counsel to the President, Congress, and the U.S. Small Business Administration on economic issues of importance to women business owners. Members of the Council are prominent women business owners and representatives of women's business organizations. The Council's mission includes conducting and supporting research on issues of importance to women business owners and their organizations in order to promote bold initiatives, policies and programs designed to support women's business enterprises at all stages of development in the public and private sector marketplaces.

EXECUTIVE SUMMARY

The analysis characterizes the cycle of women-owned business development. The data is from the 2007 administration of the Survey of Business Owners (SBO) by the U.S. Census Bureau. The SBO is a comprehensive source of information on characteristics of businesses and business owners by gender, ethnicity, race, and veteran status. Title 13 of the United States Code authorizes the SBO and requires a mandatory response.

The analysis revealed the business cycle for women-owned firms in 2007. These firms are primarily founded (77%) by their owner(s) with $5,000 or less (59.0%) in capital. Nearly half of all women-owned firms are in three industries: other services (except public administration) (16.1%), health care and social assistance (15.8%), and professional, scientific, and technical services (14.1%). As a point of clarity, the other services category refers to firms providing services that do not fall into the other business categories available on the SBO. Examples of firms in the other services category include equipment and machinery repairing and promoting or administering religious activities with additional examples available in Appendix A. When considered by race/ethnicity, health care and social assistance is the primary industry for Black or African-American, Hispanic, and American Indian and Alaska Native women-owned firms. Other services is the primary industry for Asian and Native Hawaiian and Other Pacific Islander women-owned firms. Professional, scientific, and technical services is the primary industry for white women-owned firms.

The survival rate of women-owned firms is 78.2%. Of the firms that have maintained operations, 54.5% elected to expand or make capital improvements. By race/ethnicity, the highest rate of expansion was 55.5% for white women-owned firms and the lowest rate of expansion was 43.2% for Asian women-owned firms. When expanding or making capital improvements, nearly three-quarters of women-owned firms utilize personal assets and they have lower access to external capital when compared to men-owned firms. Only 5.5% of women-owned firms expanded with a business loan from a bank or financial institution compared to 11.4% of men-owned firms.

At the time of data collection, this business cycle resulted in 28.8% of all U.S. nonfarm firms being women-owned. When women-owned firms are combined with equally owned male/female firms, 45.8% of the U.S. firms have a female in a primary ownership role. This is 4.1% less than the proportion of the 2007 U.S. adult female population aged 18-67 of 50.1%. The analysis did reveal that minority women-owned firms are more highly represented by race/ethnicity category. Of all the white-owned firms, just over one-quarter of firms are owned by women. One-third or more of firms of all race/ethnicity categories are owned by women. Nearly half of all firms owned by black or African-Americans are owned by women (47.4%).

In terms of receipts, women-owned firms generate an average of $153K in average receipts which has grown 6.1% since 2002. While this is positive, the inflation rate from 2002 to 2007, according to the Bureau of Labor Statistics (BLS), is 16.1%. This indicates that average receipt growth has been outpaced by inflation rates.

Overall, the analysis revealed that women have been launching new enterprises at a greater rate than men. Despite this progress, on average, women-owned businesses are smaller compared with businesses owned by men. And while the gap has narrowed, as of 2007—the latest year for which numbers are available from the census—the average revenues of majority women-owned businesses were still only 27% of the average of men-owned businesses.

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INTRODUCTION

The health of our economy is still one of the biggest concerns and challenges facing the nation as we enter 2012. Unemployment is between 8% to 9% and new job creation is still slow. While many are looking to the health of large corporations and organizations as an indicator of job creation and of economy, they should actually be focusing on small businesses. Since the mid-1990s, small businesses have created 60% to 80% of the new jobs in our country (U. S. Small Business Administration Office of Advocacy, 2009).

Supporting small business growth is critical during economic downturns. The smallest companies often create the most jobs during a recession. And one of the fastest growing segments of small business owners in our country are women, making the success of women-owned businesses key to getting people back to work and growing our economy.

Furthermore, the payoff from supporting small businesses is increasingly important for many states with double-digit unemployment and increasing budget deficits. A state's ability to generate small businesses impacts gross state product, personal income, and employment. Like all businesses, however, small businesses are struggling to weather the downturn in the economy. Some of their biggest road blocks are lack of funds to expand, decreased customer bases, and lack of access to credit and business loans due to tougher lending standards. These issues are especially critical for women business owners whose greatest challenge has been access to capital, credit, and equity. Data highlights the importance of efforts and programs that may effectively reduce the costs of borrowing and increase net profits in fostering the growth of small businesses, especially women-owned businesses.

According to the U.S. Census 2007 Survey of Business Owners, women owned 7.8 million businesses representing 28.8% of all companies in the country. While the percentage of women-owned firms of all U.S. firms is virtually unchanged from 2002 and 1997, the growth of women-owned firms has outpaced the growth of other firm types. The raw number of women-owned firms has increased by 43.8% since 1997 while all other types have grown 30.1% from 1997.

Small businesses will continue to play a vital role in the economy's recovery efforts. This report analyzes the changing trends and patterns of women-owned businesses from 2002 to 2007 and explores how the characteristics and choices of women-owned businesses relate to these differences. Furthermore, we explore the various reasons why women-owned businesses have ceased in 2007.

METHODOLOGY

The Census Bureau enables users to download the complete dataset by File Transfer Protocol (FTP). Users can also download specific data into comma delimited (.csv) or tab delimited (.lst) files. This analysis primarily downloaded .csv files which were then opened in Microsoft Excel 2007 for analysis. When appropriate,.csv files were opened in SPSS 19.0 to generate statistics. All graphs were produced using Microsoft Excel 2007. Tables were formatted in Microsoft Word 2007.

Areas selected for inclusion were based on the analyses of descriptive statistics from the Census Bureau data site. Areas that were of importance or that generated results that would generate a greater understanding of women-owned firms were selected for inclusion. Observations are listed throughout the document. The observations were selected based on project director judgment as areas that were unique or noteworthy.

Several terms are used interchangeably throughout the report. Women-owned and female-owned are synonymous. In addition, the terms firm and business are synonymous.

REPORT STRUCTURE

The report is designed to be read as a full document or as individual sections. Each section is independent. As noted in the introduction, the report contains the following sections:

- Current Status of Women-Owned Firms
- Women-Owned Firm Trends Over Time
- Start-Up and Expansion of Women-Owned Firms
- Sustainability of Women-Owned Firms

The executive and overall summaries tie the independent sections together to present the story of women-owned firms based on the SBO data.

INTRODUCTION REFERENCES

Small Business Administration Office of Advocacy (2009). *The small business economy: A report to the president.* Retrieved from http://archive.sba.gov/advo/research/sb_econ2009.pdf.

CURRENT STATUS OF WOMEN-OWNED FIRMS

This section examines the characteristics of U.S. women-owned firms based on results from the 2007 SBO survey. Areas examined are distribution, characteristics of businesses, receipts, industry, and race/ethnicity comparisons. Where appropriate, information on women veteran-owned firms will be integrated into the presentation. The data elements presented develop a context for the remaining sections of this analysis as part of the process of developing an understanding of the status of women-owned firms in 2007.

It is important to note that this review focuses on selected areas from the SBO. The U. S. Census Bureau maintains the American FactFinder online database that enables users to access additional SBO data. The full SBO dataset can be accessed here: http://www.census.gov/econ/sbo/. The American FactFinder enables users to access the current and historical SBO data.

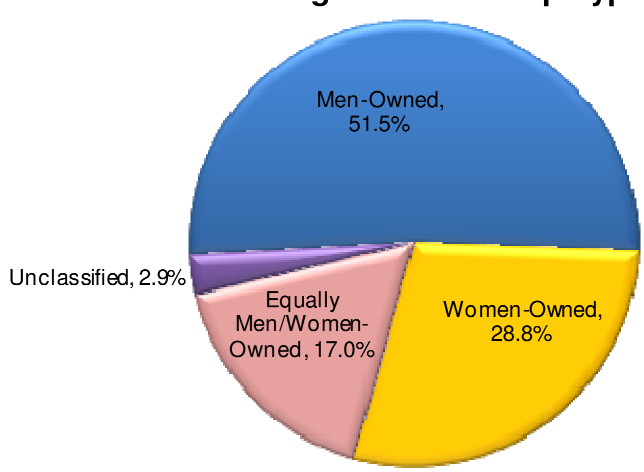
The appendix presents important definitions. To restate a critical definition, women-owned firms are defined as those where women own 51 percent or more of the interest or stock of the business.

DISTRIBUTION

In 2007, it was estimated that there were 7,792,115 women-owned firms in the U.S. This represented 28.8% of all women-owned firms. The report section that discusses trends over time reveals that this percentage is relatively consistent with 2002. The comparison of business ownership types is presented in Figure 1.1.

In 2007, the U.S. population for ages 18-67was 50.1% female. This is 4.3% more than the combination of women-owned firms (28.8%) and equally men/women-owned firms (17.0%).

Figure 1.1: Comparison of the Percentage of Ownership Type in 2007



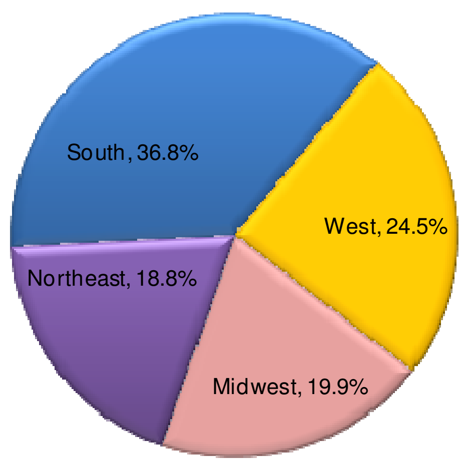
When the women-owned and equally men and women ownership types are combined, women ownership was represented in 45.8% of all businesses. The U.S. population figures from 2007 help to place this information in context. According to U.S. Census estimates, females represented 50.1% of the population. This is 4.3% less than the 2007 female population between the ages of 18 and 67.

The proportion of women veteran-owned firms is 5.1% less than the proportion of women veterans in the U.S. aged 20-69.

The share of firm ownership is more pronounced when female veterans are concerned. In 2007, there were 2,447,608 firms owned by veterans. Of the total veteran population aged 20-69, 9.1% are females. Of the veteran owned businesses, female veterans own only 4.0% (n=97,114).

Regionally, the majority of women-owned firms are in the South (n=2,872,839, 36.8%) and West (1,908,078, 24.5%). Approximately 20% of all women-owned firms are in the Midwest (1,551,419, 19.9%) and Northeast (1,465,366, 18.8%). This regional distribution of firms is similar to the 2007 distribution of the U.S. female population.

Figure 1.2: Regional Distribution of Women-Owned Firms in 2007



The regional distribution of women veteran owned firms is similar to the regional distribution of all women-owned firms in terms of rank order. For women veteran-owned firms, 48.2% are in the South, 22.9% are in the West, 16.9% are in the Midwest, and 11.0% are in the Northeast.

CHARACTERISTICS OF BUSINESSES

There are three characteristic areas that will be presented. These are employer/nonemployer firms, benefits offered and customer categories. A characteristic discussed more in-depth in a later section of this analysis is the start-up and expansion of women-owned firms.

EMPLOYER/NONEMPLOYER FIRMS

The vast majority of women-owned firms are nonemployer firms. In 2007, 88.3% (n=6,882,443) of the women-owned firms did not have paid employees. Conversely, 11.7% of the women-owned firms (n=909,661) were employer firms. As can be expected, women-owned firms with paid employees derived a much higher level of average receipts when compared to women-owned firms without paid employees. This information is displayed in Table 1.1

Table 1.1: Number of Women-Owned Firms and Average Receipts for Firms With and Without Paid Employees

Employee Category	Firms	Average Receipts
Employer Firms	909,661	$1,115,104
Nonemployer Firms	6,882,443	$26,479

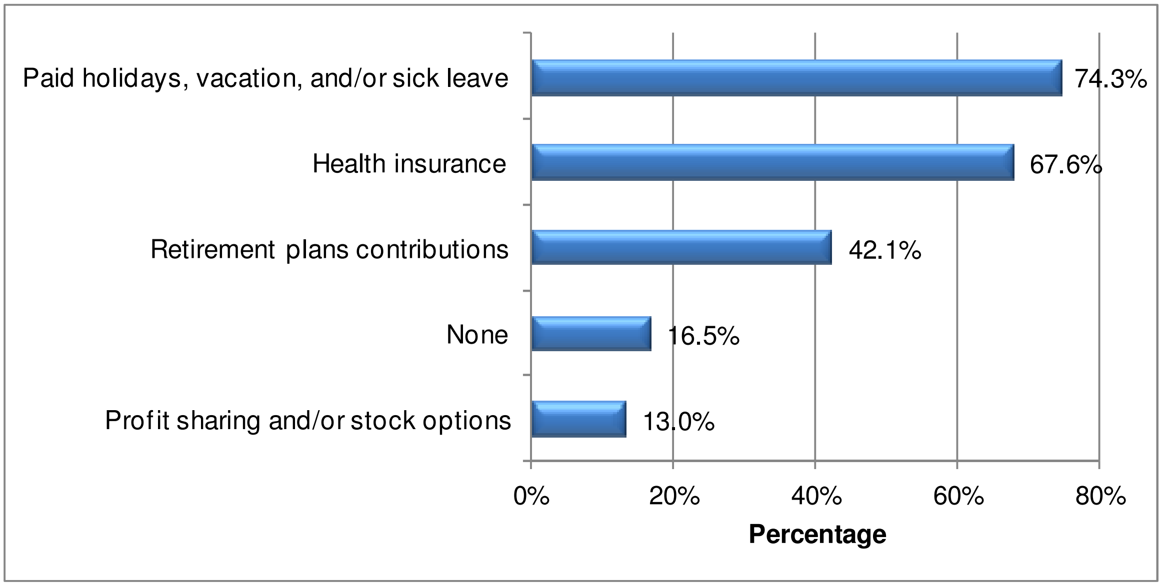
EMPLOYER BENEFITS OFFERED

Four in ten employer women-owned employer firms fail to offer benefits to the employees (n=257,782, 40.8%). The paid holidays, vacation, and/or sick leave category is the benefit most frequently offered by the women-owned firms (274, 645, 43.5%). Slightly more than one-third of the women-owned firms offer health insurance (229,118, 36.3%) and one-fifth offer retirement plan contributions (126,823, 20.1%). A small percentage offers profit sharing and/or stock options (26,377, 4.2%).

The previous information considered the women-owned firm population. It is informative to examine the percentage of employees that receive these specific benefits. Nearly three-quarters of employees receive paid holidays, vacation, and/or sick leave (74.3%). Over two-thirds receive health insurance (67.6%). These are the only benefit types more than half of the employees receive. Approximately four in ten employees have retirement plan contributions as a benefit (42.1%). Just over ten percent have profit sharing and/or stock options as a benefit (13.0%) and 16.5% do not receive benefits. This information is displayed in Figure 1.3.

Of the employees working at women-owned firms, 74.3% have paid holidays, vacation, and/or sick leave and 67.6% have health insurance.

Figure 1.3: Percentage of Employees Receiving Benefit Type at Women-Owned Firms



A higher percentage of employees of women-owned firms have employment based health insurance when compared to the overall population (67.6% to 59.3%)

According to the U. S. Census Bureau (2007), 59.3% of the population was covered by employment based health insurance. Of all employees of women-owned firms, 67.6% of the employees are covered by employment based health insurance. This indicates that women-owned firms are providing health insurance coverage at a higher rate than the overall population.

CUSTOMER CATEGORIES

The SBO revealed the customer types for women-owned firms. The vast majority of women-owned firms have individuals as a customer (77.0%). Approximately one-quarter of the firms have other businesses and/or organizations as a customer type (27.2%). A small percentage has government entities as customers. State and local government are customers for 5.2% of women-owned firms. The federal government makes up 1.7% of the customer base for women-owned firms.

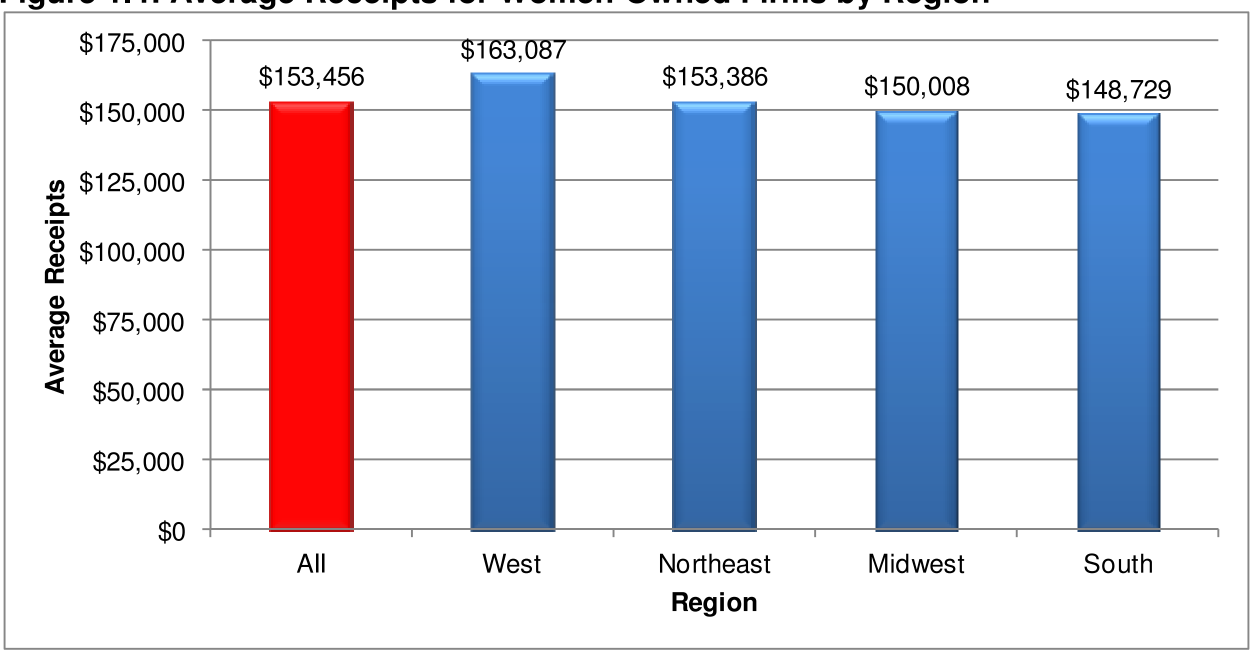
This customer category distribution is generally the same for all race/ethnicity categories. There are two observations of note. For Native Hawaiian and Other Pacific Islanders, 5.1% of the women-owned firms have the federal government as a customer. In addition, 4.4% of the American Indian and Alaska Native women-owned firms have the federal government as a customer. Although all minority race/ethnicity categories have the federal government as a customer at a higher percentage than non-minority companies, there is approximately a three percent difference for the race/ethnic groups highlighted.

When customer category by industry is considered, the main industry that has the federal government as a customer type is management of companies and enterprises (7.3%). Educational services is the main customer type for state and local governments (19.4%). Mining, quarrying, and oil and gas extraction is the main customer type for other businesses and/or organizations (58.9%). Accommodation and food services (92.9%) and retail trade (92.8%) are the main customer types for individuals.

RECEIPTS

Regarding receipts, in the U.S., the average receipts per women-owned firm is $153,456. When the average receipts by region are considered, the highest average is observed in the West ($163,087) and the lowest is observed in the South ($148,729). This information is displayed in Figure 1.4.

Figure 1.4: Average Receipts for Women-Owned Firms by Region

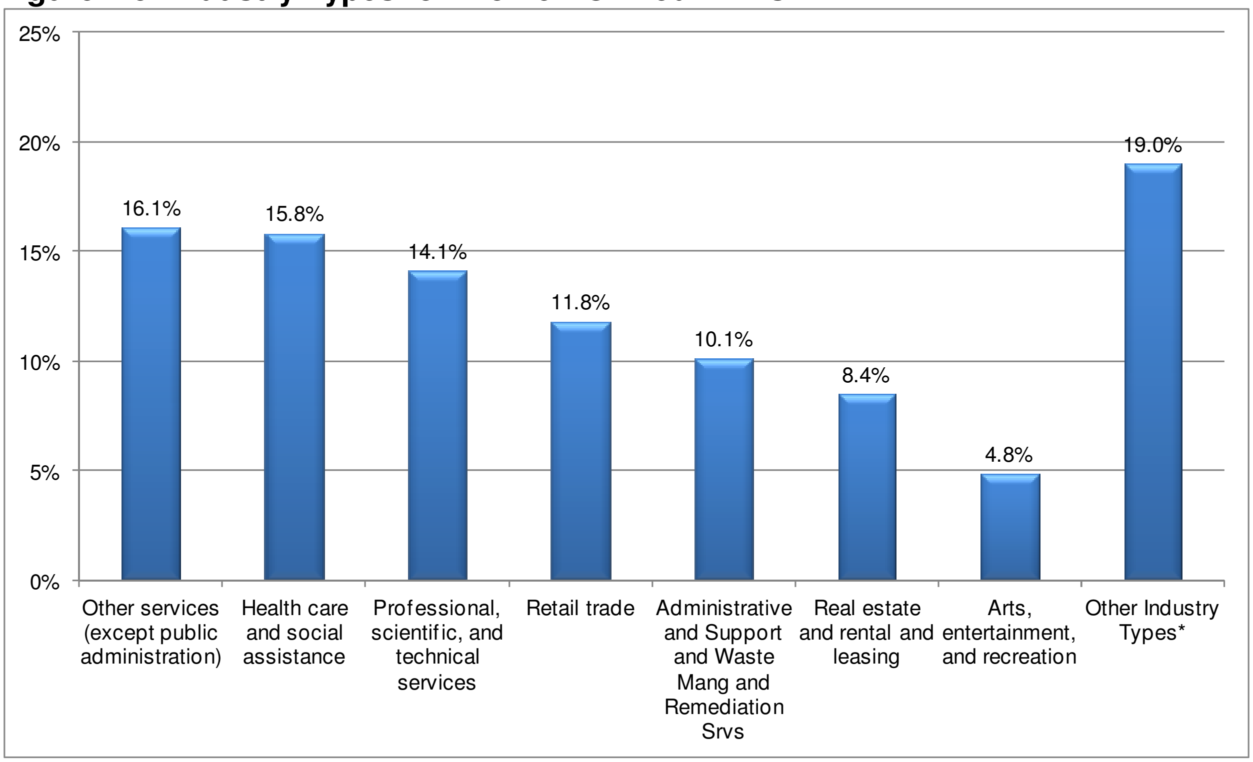


Average receipts, as can be expected are vastly different for employer and nonemployer women-owned firms. For employer women-owned firms, average receipts are $1,115,104. For nonemployer firms, average receipts are $26,479. Regionally, there are no significant differences in average receipts for employer women-owned firms. This is, however, greater regional variability in average receipts for nonemployer firms. The West ($30,147, 12.2%) and Northeast ($21,380, 7.7%) have average receipts well above the national average. Average receipts in the Midwest are 23.8% ($21,380) lower than the national average.

INDUSTRY

Each SBO respondent identifies the industry for their firm. For women-owned firms, the most common industry types are other services (16.1%), health care and social assistance (15.8%), and professional, scientific, and technical services (14.1%). As a reminder, the other services category includes firms that are not part of the other categories such as dry cleaning businesses. The full definitions for all industries are available in Appendix A. The women-owned firm distribution is displayed in Figure 1.5.

Figure 1.5: Industry Types for Women-Owned Firms



**Educational services (3.5%), Construction (3.4%), Finance and insurance (2.6%), Accommodation and food services (2.5%), Transportation and warehousing (1.8%), Wholesale trade (1.7%), Manufacturing Information (1.5%), Agriculture, forestry, fishing and hunting (0.3%), Mining, quarrying, and oil and gas extraction (0.2%), Utilities (0.0%), Industries not classified (0.0%), Management of companies and enterprises (0.0%)*

There are regional highlights of note as listed in Table 1.2. The top five industries in all regions are the same except in the West. In this region real estate rental and leasing is one of the top five industries. Administrative and support and waste management and remediation services is one of the top women-owned firm industry in all regions except in the West.

The highest percentages of women firm ownership are concentrated in industries that derive lower average receipts. The top industry for women is other services which is ranked 18th in terms of average receipts for women-owned firms.

Health care and social assistance is also a prominent industry for women-owned firms. Across the U.S., this industry is the second most prominent. In each region, this industry is either the first (Midwest, Northeast) or second (South, West) in terms of the most frequently observed women-owned firm types.

Across the U.S., other services is the most prominent industry for women-owned firms. This industry is also one of the top three industries by region. It is the top industry in the South for women-owned firms. It is the second most frequent industry observed for women-owned firms in the Midwest. It is the third most frequent industry observed for women-owned firms in the Northeast and West.

Table 1.2: Top Five Women-Owned Firm Industries by Region

Midwest	South
1) Health care and social assistance: 18.2% 2) Other services (except public administration): 16.6% 3) Retail trade: 13.5% 4) Professional, scientific, and technical services: 12.2% 5) Administrative and Support and Waste Management and Remediation Services: 9.4%	1) Other services (except public administration): 17.2% 2) Health care and social assistance: 14.2% 3) Professional, scientific, and technical services: 12.8% 4) Administrative and Support and Waste Management and Remediation Services: 11.9% 5) Retail trade: 11.8%
Northeast	**West**
1) Health care and social assistance: 17.0% 2) Professional, scientific, and technical services: 15.8% 3) Other services (except public administration): 14.3% 4) Retail trade: 11.1% 5) Administrative and Support and Waste Management and Remediation Services: 8.4%	1) Professional, scientific, and technical services: 16.2% 2) Health care and social assistance: 15.3% 3) Other services (except public administration): 15.2% 4) Retail trade: 10.9% 5) Real estate rental and leasing: 9.4%

Table 1.3 displays the average receipts for women-owned firms. Wholesale trade, management of companies and enterprises, and manufacturing each have average receipts of over $1 million. It is noteworthy that the top industries for women-owned firms are also the lowest grossing in terms of average receipts. Other services is ranked 18th in terms of average receipts for women-owned firms with average receipts of $35,768. Health care and social assistance is ranked 16th with average receipts of $74,957. This gives evidence that women-owned firms are most prominent in industries that derive the lowest in terms of average receipts.

Table 1.3: Average Receipts by Industry for Women-Owned Firms

Industry	Average
Wholesale trade	$1,839,245
Management of companies and enterprises	$1,501,148
Manufacturing	$1,001,124
Mining, quarrying, and oil and gas extraction	$629,794

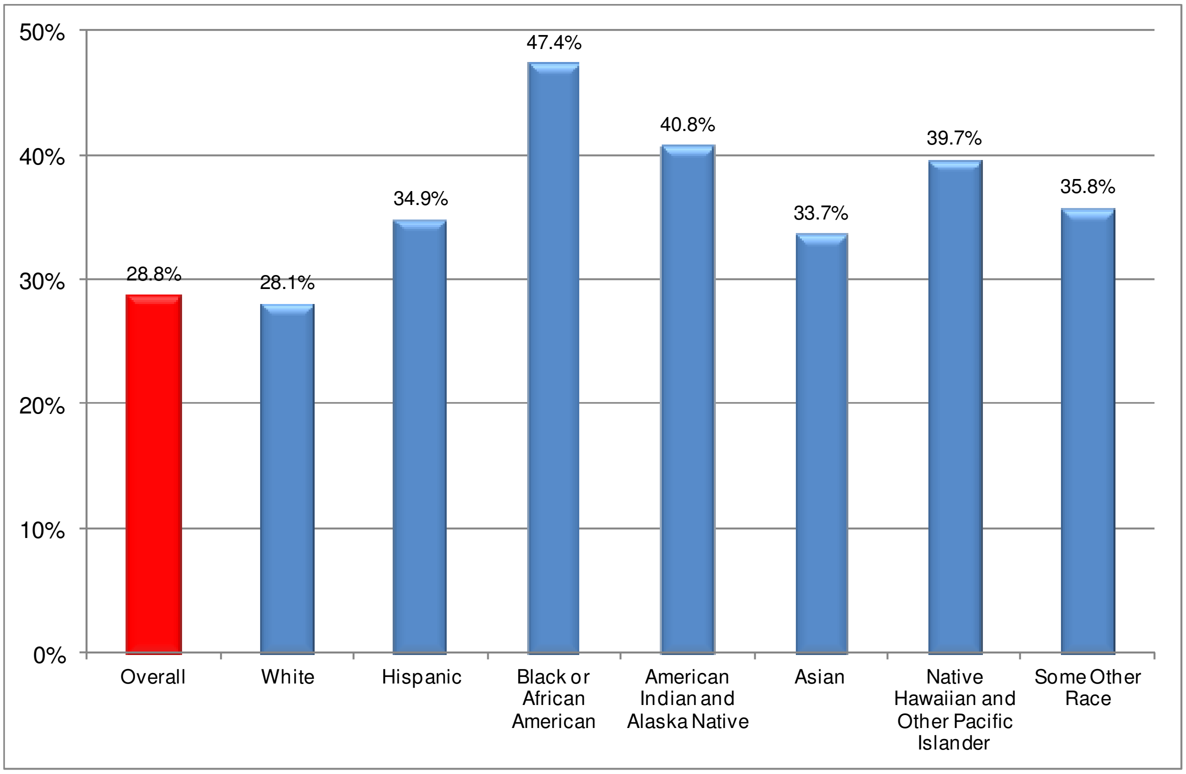
Industry	Average
Utilities	$471,353
Construction	$360,628
Information	$265,906
Accommodation and food services	$246,007
Transportation and warehousing	$230,419
Retail trade	$206,990
Finance and insurance	$159,957
Professional, scientific, and technical services	$97,645
Real estate and rental and leasing	$89,148
Administrative and Support and Waste Management and Remediation Services	$83,482
Agriculture, forestry, fishing and hunting	$75,928
Health care and social assistance	$74,957
Industries not classified	$64,869
Arts, entertainment, and recreation	$43,733
Other services (except public administration)	$35,768
Educational services	$35,491

RACE/ETHNICITY COMPARISONS

There are several comparisons to be highlighted for women-owned firms by race/ethnicity category. The first is the distribution of the companies. For all companies owned by white individuals, 28.1% are owned by white women. For all minority race/ethnicity categories, a greater percentage of businesses are women-owned. For all black or African-American firms, nearly half (47.4%) are women-owned. Approximately 40% of all firms are women-owned for American Indian and Alaska Native (40.8%) and Native Hawaiian and Other Pacific Islander (39.7%) firms. Approximately one-third of all firms are women-owned for Some Other Race (35.8%), Hispanic (34.9%), and Asian (33.7%) firms. This information is displayed in Figure 1.6.

Minority women are more likely to own firms than non-minority women. Nearly half of all black or African-American owned firms are women-owned

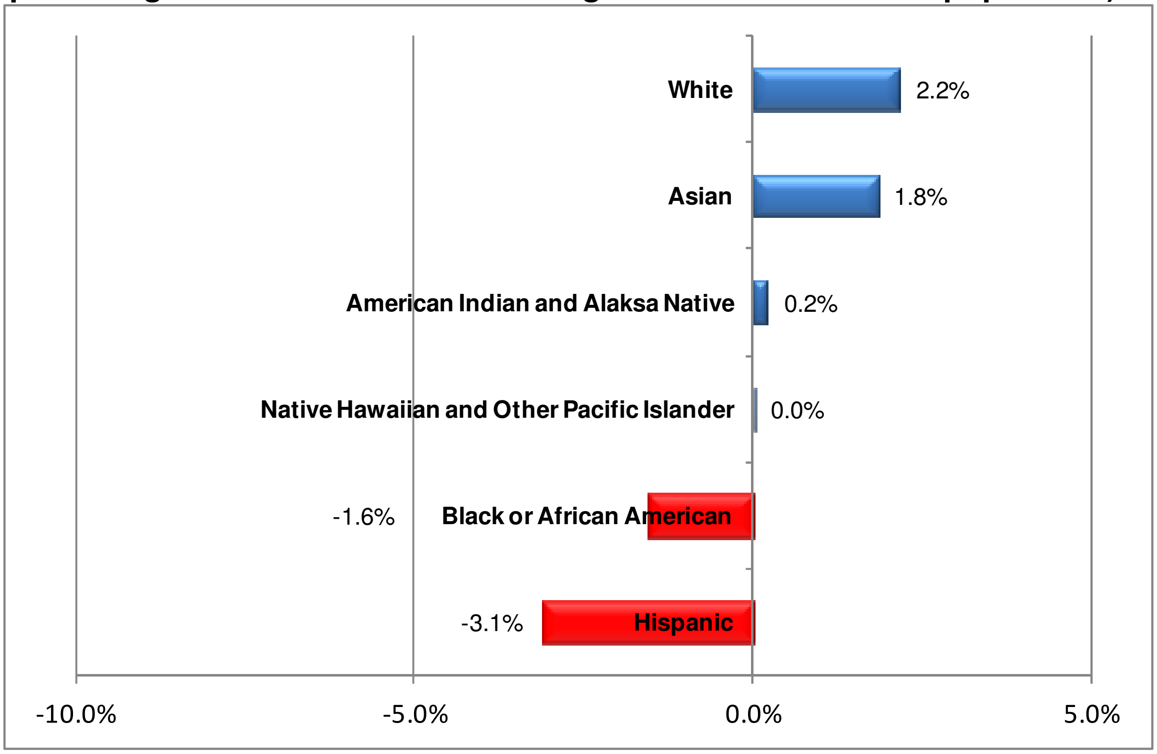
Figure 1.6: Percentage of Women-Owned Firms Within Race/Ethnicity Category



When compared to the overall population proportions by race/ethnicity, white and Asian women own approximately 2% more than their population proportions.

When the percentage of women ownership is compared to the 2007 female population by race/ethnicity category, the proportion of firm ownership for white women (2.2%) and Asian women (1.8%) is higher than their proportion of the overall female population. 79.4% of the female population is white while 81.6% of all women-owned firms are owned by white women. Asian women represent 4.9% of the U.S. female population but own 6.7% of all women-owned firms. Black or African-American women represent 13.3% of the female population but own 11.7% of all women firms. Hispanic women also represent 13.3% of the U.S. population but own 10.1% of the women-owned firms. The proportions for the remaining race/ethnicity categories are nearly identical. As a note, the percentages add up to over 100% as individuals can self-identify as being more than one race. This information is displayed in Figure 1.7.

Figure 1.7: Difference Between Percentage of Women-Owned Firms by Race Category Compared to Percentage of Female Population (Age 18-67) (If positive, the percentage of women-owned firms is greater than the female population)*



**Female Population Proportion/Women business ownership. White (79.4%/81.6%), Black or African-American (13.3%/11.7%), Hispanic (13.3%/10.1%), Asian (4.9%/6.7%), American Indian and Alaska Native (1.0%/1.2%), Native Hawaiian and Other Pacific Islander (0.2%/0.2%).*

When average receipts are considered, Asian women-owned firms (9.3%) and white women-owned firms (9.5%) have average receipts higher than the average for all women-owned firms. The remaining race/ethnicity categories have average receipts lower than the national average. This is listed in Table 1.4.

Table 1.4: Average Receipts by Industry for Women-Owned Firms by Race/ Ethnicity

Race/Ethnicity Category	Average Receipts	Firms	Difference from National Average
U.S. Women-Owned Firm Average	$153,456	7,792,115	--
Black or African-American	$40,367	911,728	-73.7%
Hispanic	$70,634	787,914	-54.0%
American Indian and Alaska Native	$91,795	96,543	-40.2%
Asian	$167,654	522,969	9.3%
Native Hawaiian and Other Pacific Islander	$100,873	14,963	-34.3%
White	$167,969	6,359,063	9.5%

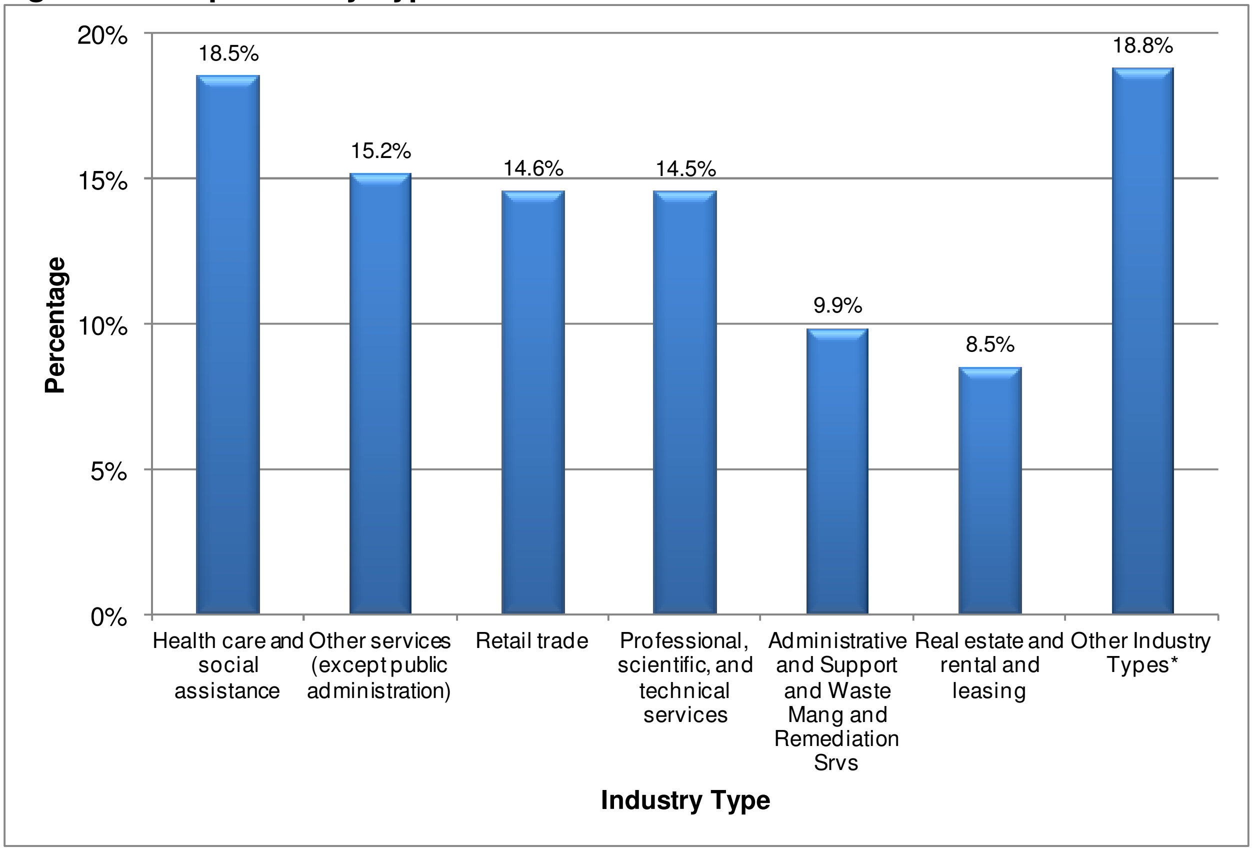
The difference in average receipts may be related to the top industry by race/ethnicity category. It was earlier observed that other services and health care and social assistance are the two of the lowest grossing firms in terms of average receipts. But the difference in this area may be related to the professional, scientific, and technical services industry. White women and Asian women are the only race/ethnicity categories that have this as a top three industry. This industry was also the 12th ranked industry in terms of average receipts. This may be a factor as to why white and Asian women-owned firms have higher average receipts. The top industries by race/ethnicity are displayed in Table 1.5.

Table 1.5: Top Three Industry Types by Race/Ethnicity

Race/Ethnicity Category	One	Two	Three
All U.S. Firms	Professional, Scientific, and Technical Services (14.0%)	Construction (12.6%)	Other Services (11.5%)
U.S. Women-Owned Firms	Other Services (16.1%)	Health Care and Social Assistance (15.8%)	Professional, Scientific, and Technical Services (14.1%)
Black or African-American Women-Owned Firms	Health Care and Social Assistance (31.7%)	Other Services (22.5%)	Administrative and Support and Waste Mang and Remediation Srvs (9.8%)
Hispanic Women-Owned Firms	Health Care and Social Assistance (20.1%)	Other Services (18.1%)	Administrative and Support and Waste Mang and Remediation Srvs (17.1%)
American Indian and Alaska Native Women-Owned Firms	Health Care and Social Assistance (19.7%)	Other Services (18.2%)	Administrative and Support and Waste Mang and Remediation Srvs (11.4%)
Asian Women-Owned Firms	Other Services (25.5%)	Health Care and Social Assistance (13.9%)	Professional, Scientific, and Technical Services (13.3%)
Native Hawaiian and Other Pacific Islander Women-Owned Firms	Other Services (16.1%)	Health Care and Social Assistance (15.1%)	Retail Trade (14.0%)
White Women-Owned Firms	Professional, Scientific, and Technical Services (15.1%)	Other Services (14.4%)	Health Care and Social Assistance (13.7%)

It is appropriate to consider female veteran-owned firms related to industry. The top industry for female veterans is health care and social assistance (18.5%) followed by other services (15.2%), retail trade (14.6%), and professional, scientific, and technical services (14.5%). Figure 1.8 displays this distribution.

Figure 1.8: Top Industry Types for Female Veteran-Owned Firms



**Arts, entertainment, and recreation (3.2%), Construction (2.8%), Transportation and warehousing (2.6%), Educational services (2.4%), Finance and insurance (2.0%), Manufacturing (1.6%), Wholesale trade (1.5%), Accommodation and food services (1.4%), Information (0.9%), Agriculture, forestry, fishing and hunting (0.3%), Utilities (0.0%), Management of companies and enterprises (0.0%), Industries not classified (0.0%), Mining, quarrying, and oil and gas extraction (0.0%)*

The industries with the highest average receipts are wholesale trade ($5.5 million) and management of companies and enterprises ($3.8 million). This information is displayed in Table 1.6.

Table 1.6: Average Receipts for Women-Owned Firms by Industry Type in Rank Order

Industry	Average Receipts
Wholesale trade	$5,520,174
Management of companies and enterprises	$3,783,074
Manufacturing	$437,780
Accommodation and food services	$218,308
Construction	$200,237
Information	$146,690
Retail trade	$118,795
Finance and insurance	$113,137
Professional, scientific, and technical services	$101,037

Industry	Average Receipts
Transportation and warehousing	$94,098
Real estate and rental and leasing	$85,852
Health care and social assistance	$83,033
Administrative and Support and Waste Mang and Remediation Srvs	$72,110
Agriculture, forestry, fishing and hunting	$58,936
Arts, entertainment, and recreation	$28,204
Other services (except public administration)	$27,438
Educational services	$22,743
Industries not classified	*
Mining, quarrying, and oil and gas extraction	*
Utilities	*

CURRENT STATUS SUMMARY

There are several important elements that were highlighted regarding the current status of women-owned firms. At the time of the 2007 data collection, there were approximately 7.8 women-owned firms which represent 28.8% of all U.S. firms. The important question is whether this percentage is representative of the U.S. population. The U.S. adult population was 50.1% female in 2007. Only 45.8% of the U.S. firms were either women-owned or equally male/women-owned indicating that women are slightly underrepresented in firm ownership.

The case for the female veteran population is even more pronounced. Of all veterans, 9.1% are women. Women veterans only own, however, 4.1% of all veteran-owned firms. It is, therefore, reasonable to conclude that women veterans are an underrepresented population in terms of firm ownership in the U.S.

The outlook on firm ownership is brighter when the race/ethnicity categories are considered. When firm ownership was reviewed within the race/ethnicity categories, minority women were more likely to own firms than non-minority firms. The most impressive figure is that nearly half of the black or African-American owned firms are owned by women.

The top three industries for women-owned firms are other services (except public administration), health care and social assistance, and professional, scientific, and technical services. What is noteworthy about these being the top industries is that they also represent the lower generating firms in terms of average receipts. Other services is ranked 19th, health care and social assistance is ranked 16th, and professional, scientific, and technical services is ranked 12th. The reason this is important is that professional, scientific, and technical services is one of the top three industries for white and Asian women-owned firms. These are the only race-ethnicity types that generate average receipts higher than the average for all women-owned firms.

One of the more interesting areas regards benefits offered. Discussions over health care insurance have been prominent in the U.S. Only 43.5% of the women-owned firms offer health insurance to their employees. Despite this low percentage, 67.6% of the employees of women-owned firms have employer paid health insurance. This percentage is higher than the percentage of all U.S. citizens that had employer-paid health insurance (59.3%) in 2007. This indicates that women-owned firms are responding to an important economic concern at greater rates than the overall society and underscores the contribution of women-owned firms.

CURRENT STATUS REFERENCES

U.S. Census Bureau (2008). *Income, poverty, and health insurance coverage in the United States: 2007.* Retrieved from http://www.census.gov/prod/2008pubs/p60-235.pdf.

WOMEN-OWNED FIRMS TRENDS OVER TIME

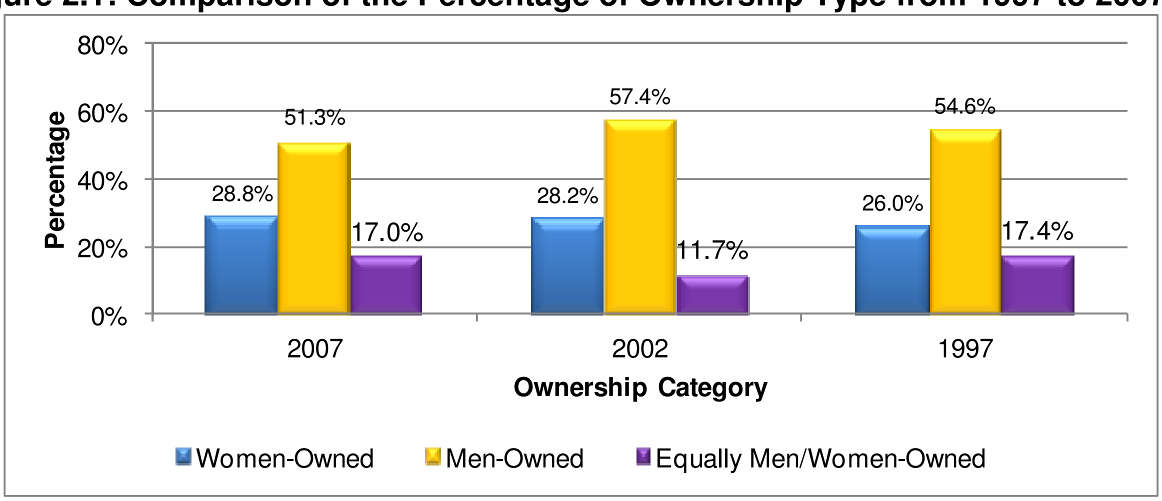
This section examines trends and patterns of women-owned businesses compared to men-owned and/or equally men/women-owned businesses from 1997- 2007. Areas reviewed include geographic characteristics, revenues, race/ethnicity, industry trends, and reasons businesses ceased. Terms firms and businesses are used inter-changeably throughout the report.

Women-owned businesses increased by 20% from 2002 to 2007 to 7.8 million and 44% from 5.4 million in 2002. This is twice as fast as the rate of men-owned businesses in the past decade.

Based on SBO survey data, women-owned 7.8 million non-farm U.S. businesses operating in the fifty states and the District of Columbia in 2007, an increase of 20.1% from 2002. These women-owned firms accounted for 28.8% of all nonfarm businesses in the country. Women-owned firms employed 7.6 million people (6.4% of total employment) and generated about $1.2 trillion in receipts (3.9% of all receipts). Men owned 13.9 million nonfarm U.S. businesses (51.3%) in 2007, an increase of 5.5% from 2002. These men-owned firms employed 41.5 million people (35% of total employment) and generated $8.5 trillion in receipts (28.2% of all receipts). In addition, 4.6 million nonfarm U.S. businesses (17% of all nonfarm businesses) were equally (50% each) owned by men and women. These firms employed 8.1 million people (6.9% of total employment) and generated $1.3 trillion in receipts (4.2% of all receipts).

Interestingly, the proportion of women-owned firms increased only slightly between 1997 and 2007, from almost 26.0% to 28.8%. Figure 2.1 presents comparison data by gender-firm ownership from 1997- 2007.

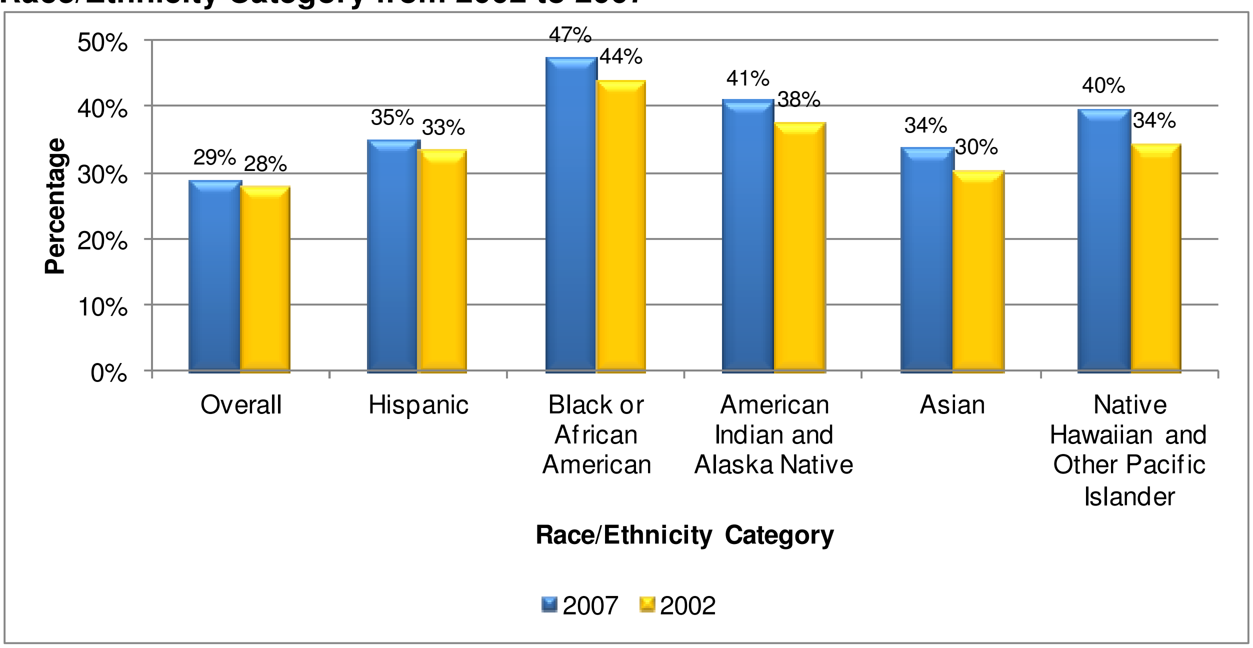
Figure 2.1: Comparison of the Percentage of Ownership Type from 1997 to 2007



A more in-depth look reveals that the overall number of privately-owned firms has increased. Within the decade, the number of women-owned businesses grew from 5.4 to 7.8 million, an increase of 43.8% which is almost twice as fast as the rate of men-owned (22.2%) and equally-owned firms (26.4%). In addition, employment in men-owned firms declined by nearly 5% over the past decade, while revenues grew by 33%. These are well below the growth seen among women-owned firms.

When the race/ethnicity categories are considered, each has seen a growth in the percentage of women-owned firms. In 2002, 34.4% of all firms were minority women-owned. Minority women-owned firm ownership increased to 39.7% in 2007 from 2002 which is a 5.3% increase. Approximately three percent increases were observed for black or African-Americans, American Indian and Alaska Natives, and Asians. A 1.5% increase was observed for Hispanics. As noted, the increase for all women-owned firms was 0.9% so minority women have made greater gains from 2002 to 2007. This is displayed in Figure 2.2.

Figure 2.2: Comparison of the Percentage of Women-Owned Firms within Race/Ethnicity Category from 2002 to 2007



EMPLOYER AND NONEMPLOYER BUSINESSES

In 2007, there were a total of 910,761 women-owned U.S. employer firms. These firms employed 7.6 million people, had a total payroll of $217.6 billion, and generated $1.0 trillion in receipts. In 2007, employer firms accounted for 11.7% of the total number of women-owned U.S. firms and 84.7% of women-owned U.S. firms' gross receipts.

Average receipts for these women-owned U.S. employer firms in 2007 were $1.1 million. Also, in 2007, 6.9 million women-owned U.S. firms had no paid employees. These nonemployer firms generated $182.3 billion in receipts and accounted for 88.3% of the total number of women-owned U.S. firms and 15.3% of gross receipts. Average receipts for these women-owned U.S. nonemployer firms in 2007 were $26,486. Since the data in the survey did not go beyond 2007, the effect, if any, of the recession on women-owned businesses is unclear.

GEOGRAPHIC CHARACTERISTICS

Nationally, the number of women-owned businesses has increased by almost 20.1% since 2002. The states that have observed growth of 30% or more since 2002 are Georgia (41.8%), Florida (32.9%), Nevada (32.9%), Alabama (31.4%), and Texas (30.2%). Five states observed declines in the number of women-owned firms. These were Alaska (-9.3%), Indiana (-9.0%), West Virginia (-7.9%), Vermont (-7.7%), and Iowa (-3.8%). This percentage change information along with all states is displayed in Table 2.1.

California, Texas, and New York reported having the top three number of women-owned firms.

Table 2.1: Change in Women-Owned Firms by State from 2002 to 2007

Geographic Area	Population (estimate), 2007	Women-Owned firms, 2007 (number)	Women-Owned Firms, 2002 (number)	Percent change in number of all firms (%)
United States	**301,621,157**	**7,793,364**	**6,489,259**	**20.1**
Georgia	9,544,750	278,287	196,195	41.8
Florida	18,251,243	581,045	437,355	32.9
Nevada	2,565,382	63,379	47,675	32.9
Alabama	4,627,851	107,499	81,821	31.4
Texas	23,904,380	610,162	468,705	30.2
North Carolina	9,061,032	225,522	173,874	29.7
South Carolina	4,407,709	99,454	76,831	29.4
Mississippi	2,918,785	60,869	47,102	29.2
Utah	2,645,330	61,467	48,475	26.8
Delaware	864,764	19,435	15,344	26.7
Arizona	6,338,755	138,121	109,748	25.9
Maryland	5,618,344	172,241	137,410	25.3
Hawaii	1,283,388	37,373	29,943	24.8
Idaho	1,499,402	35,602	28,824	23.5
District of Columbia	588,292	19,286	15,675	23.0
Virginia	7,712,091	192,194	157,030	22.4
Wyoming	522,830	15,609	12,945	20.6

Geographic Area	Population (estimate), 2007	Women-Owned firms, 2007 (number)	Women-Owned Firms, 2002 (number)	Percent change in number of all firms (%)
Illinois	12,852,548	343,117	284,954	20.4
Tennessee	6,156,719	141,379	117,935	19.9
California	36,553,215	1,039,484	870,496	19.4
Colorado	4,861,515	160,080	135,220	18.4
Maine	1,317,207	38,495	32,512	18.4
Louisiana	4,293,204	102,790	86,876	18.3
Arkansas	2,834,797	58,588	49,618	18.1
New Mexico	1,969,915	49,889	42,254	18.1
New York	19,297,729	594,421	505,077	17.7
Oregon	3,747,455	103,617	88,317	17.3
Pennsylvania	12,432,792	265,132	227,117	16.7
North Dakota	639,715	15,239	13,203	15.4
New Jersey	8,685,920	213,418	185,197	15.2
Washington	6,468,424	158,036	137,394	15.0
New Hampshire	1,315,828	35,620	31,024	14.8
Montana	957,861	28,128	24,519	14.7
Michigan	10,071,822	248,426	217,673	14.1
Rhode Island	1,057,832	26,431	23,195	14.0
Connecticut	3,502,309	93,487	82,118	13.8
Oklahoma	3,617,316	84,399	75,025	12.5
Kentucky	4,241,474	86,444	77,159	12.0
Massachusetts	6,449,755	178,172	161,918	10.0
South Dakota	796,214	17,081	15,573	9.7
Kansas	2,775,997	65,235	59,635	9.4
Missouri	5,878,415	130,741	120,443	8.6
Ohio	11,466,917	249,062	229,972	8.3
Wisconsin	5,601,640	112,402	104,170	7.9
Minnesota	5,197,621	133,172	123,905	7.5
Nebraska	1,774,571	41,004	38,679	6.0
Iowa	2,988,046	66,270	63,821	-3.8
Vermont	621,254	20,457	18,989	-7.7
West Virginia	1,812,035	33,786	31,301	-7.9
Indiana	6,345,289	129,559	118,857	-9.0
Alaska	683,478	17,822	16,308	-9.3

Nationwide, in 2002, California had the most women-owned firms (n=870,496, 13.3% of all U.S. women-owned firms) with receipts of $137.7 billion (14.7%. of receipts of all U.S. women-owned firms). New York was second (505,077, 7.8%) with receipts of more than $70.8 billion (7.5%). Texas was third (468,705, 7.2%) with receipts of $65.8 billion (7.0%).

Similarly, in 2007, California had the largest number of women-owned U.S. firms at 1.0 million (13.3% of all women-owned U.S. firms), with receipts of $181 billion (15.2% of all women-owned U.S. firm receipts). Texas had the second largest number of women-owned U.S. firms at 610,162 (7.8%), with receipts of $96.3 billion (8.1%). New York was third, with 594,421 women-owned U.S. firms (7.6%) and receipts of $84 billion (7.1%). Table 2.2 presents the rank-order data for the top 10 states data on women-owned businesses since 2002. Specific data for 1997 were not available.

The share of women-owned businesses has increased steadily for both minority and non-minority owned businesses in 2002 and 2007.

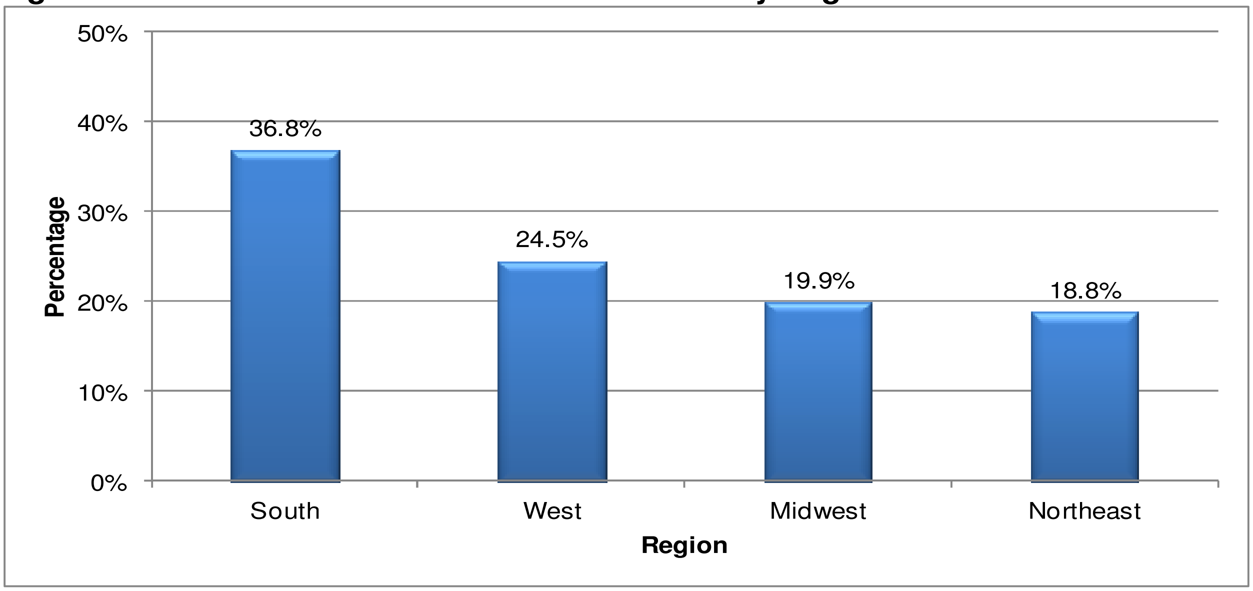
Table 2.2: Rank Order of the Number of Women-Owned Firms by State

State	2007 Women-Owned Firms (Total)	2002 Women-Owned Firms (Total)	% Increase (rounded)	2007 Rank	2002 Rank	1997 Rank
California	1,039,484	870,496	19%	1	1	1
Texas	610,162	468,705	30%	2	3	3
New York	594,421	505,077	18%	3	2	2
Florida	581,045	437,355	33%	4	4	4
Illinois	343,117	284,954	20%	5	5	5
Georgia	278,287	196,195	42%	6	9	10
Pennsylvania	265,132	227,117	17%	7	7	7
Ohio	249,062	229,972	8%	8	6	6
Michigan	248,426	217,673	14%	9	8	8
North Carolina	225,522	173,874	30%	10	11*	12

**New Jersey was 10th in 2002*

Regionally, women-owned firms in the south are nearly double those in the Midwest and northeast. The proportion, however, of women-owned firms is nearly equal to the proportion of the 2007 population by region. Figure 2.3 shows the distribution percentages of women-owned firms by region.

Figure 2.3: Distribution of Women-Owned Firms by Region



Specifically for 2007, among U.S. counties, Los Angeles County, CA, had the largest number of women-owned firms in 2007 at 316,583. Cook County, IL, had the second largest number of women-owned firms, with 165,272. Miami-Dade County, FL, was third, with 116,533 women-owned firms. Additionally, the three cities with the largest number of women-owned businesses in 2007 were New York City, with 305,145; Los Angeles, with 136,626; and Chicago, with 92,132.

RACE/ETHNICITY

There are notable differences in private business ownership among minority and non-minority women. In general, women-owned businesses constituted a higher share of all businesses in the minority community.

In 2002, 27.7% of all non-minority businesses were owned by women compared to 28.8% in 2007, while 36.7% of minority businesses were owned by women in 2002 as opposed to 38.4% in 2007. The share of women-owned has increased steadily for both minority and non-minority owned businesses. Table 2.3 presents the percentages.

Table 2.3: Percentage of Business Ownership by Minority/Non-Minority Status

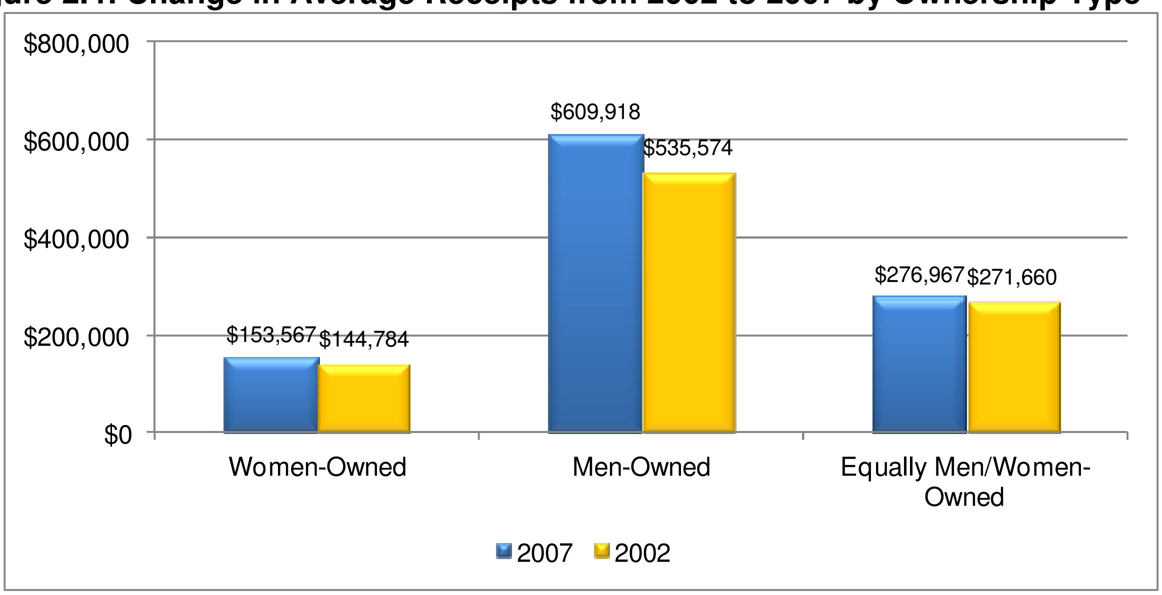
		Minority owned			Non-minority owned		
Total number of firms	**Year**	**Women-Owned**	**Men-Owned**	**Equally Owned**	**Women-Owned**	**Men-Owned**	**Equally Owned**
20M (3.1M, 17.3M)	1997	30.4%	54.7%	14.9%	25.8%	55.8%	18.3%
22M (4M, 18.2M)	2002	36.7%	55.1%	8.3%	27.7%	60.3%	12.1%
26M (5.7M, 20M)	2007	38.4%	50.4%	12.2%	27.7%	54.4%	17.9%

RECEIPTS

In 2002, there were 6.5 million women-owned firms generating $940 billion in gross receipts. As shown in Figure 2.3, women-owned businesses generated approximately $145K in average receipts which was 71.3% less than men-owned firms and 43.5% less than equally male and women-owned firms.

In 2007, there were approximately 7.8 million women-owned firms generating approximately $1.2 trillion in gross receipts. On average, women-owned business generated approximately $154K in average receipts. This was 74.8% less than men-owned firms and 44.6% less than equally male and women-owned firms. Figure 2.4 presents the difference in average receipts by ownership type from 2002 to 2007.

Figure 2.4: Change in Average Receipts from 2002 to 2007 by Ownership Type



Average receipts increases for all of the minority race/ethnicity categories. The greatest growth was seen for Native Hawaiian and Other Pacific Islander Firms (25.4%) and American Indian and Alaska Native Firms (20.0%). Table 2.4 displays the growth from 2002 to 2007.

Table 2.4: Average Receipts by Race/Ethnicity and Time Period

Race Category	2007	2002	% Change
Native Hawaiian and Other Pacific Islander	$100,873	$72,218	25.4%
American Indian and Alaska Native	$91,795	$73,622	20.0%
Hispanic	$70,634	$65,216	8.0%
Black or African-American	$40,367	$37,787	6.4%
Asian	$167,654	$158,010	5.8%

REVENUES

In terms of growth in revenue generation, the states in which the revenues of women-owned firms have increased well above the national average of 53.4% over the 1997 to 2007 period are: Wyoming (170%), the District of Columbia (146.7%), New Hampshire (117.8%), Utah (117.6%), and Louisiana (110.3%). The states in which the revenues of women-owned firms lag behind the national average to the greatest extent are: Iowa (which saw a 3.1% decline in women-owned firm revenues), Maine (up only 12.9%), Michigan (15.3%), Illinois (24.3%), and Rhode Island (28.3%).

Women-owned firms generating $1 million or more in revenues, as well as those generating between $10,000 and $100,000 in revenue, have seen above average revenue growth since 1997, compared to the average woman-owned firms.

In 1997, 1.8% of women-owned enterprises had $1 million or more in revenues. As of 2007, while the absolute number of those enterprises has grown—from under 100,000 to nearly 150,000—their share remains at 1.8% of the women-owned business population. Looking across the revenue size spectrum within the population of women-owned firms, these businesses are exceeding their average 50% increase in numbers between 1997 and 2007 only among firms in the $10,000 to $100,000 revenue range. Looking at revenue growth across the business size spectrum paints a more positive picture. Women-owned firms generating $1 million or more in revenues, as well as those generating between $10,000 and $100,000 in revenue, have seen above average revenue growth since 1997, compared to the average woman-owned business.

This finding within the population of women-owned firms contrasts with the finding among all firms, where only firms with $1 million or more in revenue had above-average revenue growth. The revenue growth of women-owned firms by revenue size class exceeds the national average all the way up to the million dollar revenue mark. In contrast, revenue growth among men-owned firms lags behind the national average in all but among the smallest revenue classes—firms with less than $10,000 in revenue.

BUSINESS OWNERSHIP DISTRIBUTION

The SBO outlines business ownership based on firms with (employer) and without paid employees (nonemployer). Considering the change in the number and percentage of firms in each category informs on the trends of women-owned firms in relation to other ownership types.

EMPLOYER/NONEMPLOYER FIRMS

Table 2.5 presents data from 2002 and 2007 on the employment size and receipts distributions of employer firms by business ownership category. Nonemployer firms dominate among all employer firms ownership types.

Table 2.5: Employer and Nonemployer Percentage Distribution and Average Receipts

Employment Size of Firms	2007	2002	Change
Percentage of Nonemployer Firms			
Women-owned	88.3%	85.8%	2.5%
Men-owned	76.8%	73.3%	3.5%
Equally men/women-owned	77.2%	73.4%	3.8%
Percentage of Employer Firms			
Women-owned	11.7%	14.2%	-2.5%
Men-owned	23.2%	26.7%	-3.5%
Equally men/women-owned	22.8%	26.6%	-3.8%
Average Receipts of Nonemployer Firms			
Women-owned	$26,479	$24,528	8.0%
Men-owned	$53,329	$51,452	3.6%
Equally men/women-owned	$51,530	$52,889	-2.6%
Average Receipts of Employer Firms			
Women-owned	$1,115,104	$875,847	27.3%
Men-owned	$2,448,597	$1,862,159	31.5%
Equally men/women-owned	$1,039,414	$873,588	19.0%

There are several noteworthy elements listed in Table 2.5. The first is that the distribution of firms is trending towards nonemployer-owned firms. The growth of women-owned nonemployer firms from 2002 to 2007 is 2.5% which is lower than the men-owned (3.5%) and equally men/women-owned (3.8%) firms. Employer firm percentages declined by the same proportions for women (-2.5%), men (-3.5%), and equally men/women-owned (-3.8%) firms.

The second noteworthy aspect of Table 2.5 is that a large growth in average receipts has been observed from 2002 to 2007 for all ownership types. For women-owned employer firms, average receipts grew by 27.3%. For men-owned firms, average receipts grew by 31.5%. Women and men-owned firms outpaced the average receipt growth of equally men/women-owned firms whose average receipts grew by 19.0% from 2002 to 2007. Women-owned employer firm average receipt growth was within 4.2% of the growth observed by men-owned firms and 8.3% greater than the growth observed by equally men/women-owned firms.

The third noteworthy aspect of Table 2.5 is that women-owned nonemployer firms observed the largest average receipt growth (8.0%) from 2002 to 2007. Men-owned nonemployer firms observed an average receipt growth of 3.6%. Equally men/women-nonemployer owned firms observed a decline of 2.6% in average receipts between 2002 and 2007. Women-owned employer firm average receipt growth was 3.4% greater than the growth observed by men-owned firms and 10.6% greater than the change observed by equally men/women-owned firms.

Despite the fact that the number of women-owned firms continue to grow at a rate exceeding the national average, and account for 28.8% of all businesses, women-owned firms only employ 6% of the country's workforce and contribute under 4% of business revenues—roughly the same share they contributed in 1997. Further, the employment and sales growth of women-owned enterprises between 1997 and 2007 (8% and 53%, respectively) lags behind the national average (17% and 71%). Table 2.6 presents the percentages.

Table 2.6: Firms, Employment, and Revenue for Women-Owned Firms

	2007	2002	1997
All Firms	7.8	6.5	5.4
Employment	7.6	7.1	7.1
Revenue ($) in millions	1,202	941	819

INDUSTRY TRENDS

Women-owned businesses continue to diversify in all industries. Our analysis within industry sectors go back only to the 2002 census survey. Given changes in industry classification, we can see by comparing the industry distribution of women-owned firms in 2002 to that of 2007 that there has been a spread in the distribution of women-owned firms, with a lessening concentration in "traditional" industry sectors and growth in industries where there had been fewer women-owned businesses such as a decrease in retail trade and an increase in construction.

The largest sectors for women-owned firms continue to be in "other services" (which includes personal care services such as beauty salons and pet-sitting, dry cleaners, and automobile repair—16.1% of women-owned firms are in this sector), health care and social assistance (including doctors and dentists, residential care facilities and child care providers—15.8%), and professional/technical/ scientific services (including attorneys, accountants, public relations and human resources/organizational development consulting—14.1%).

The fastest growth in the number of women-owned firms over the past eight years has been in education services (which includes language schools, flight training, driving schools, cosmetology and computer skills training—up 54%), administrative and waste services (including employment and travel agencies, janitorial and landscaping services, and convention organizers, 47%), and construction (41%). However, there are only two industries in which the economic clout of women-owned firms—meaning not only growth in the number of firms but in employment and revenues as well—has outpaced industry-level growth: construction and mining.

Nationally and regionally, health care and social assistance sectors are dominated by women-owned businesses while the fastest growth is seen in education services sector.

Several other smaller industries can also be said to be "punching above their weight" in terms of providing a greater share of revenues than their numbers would indicate. While their economic clout does not outpace that of all firms in their industry sector, women-owned manufacturers (1.4% of all women-owned firms and 18.4% of all manufacturers) account for 9.5% of women-owned firm revenues, and women-owned firms in the wholesale trade sector (1.7% of women-owned firms and 18.4% of all wholesale trade firms) contribute fully 20.5% of women-owned firm revenues.

In 2002, the industries with the highest concentration of women-owned firms were: Health care and social assistance (52% of firms in this sector are women-owned, compared to a 29% share overall), educational services (46%), other services (41%), and administrative and waste services (37%). The industries with the lowest concentration of women-owned firms (in industries contributing 2% or more of the business population) are construction (where just 8% of firms are women-owned) and finance and insurance (20%).

In 2007, the top three industries with the highest concentration of women-owned firms are: Other services (16.1%), Health care and social assistance (15.8%), professional, scientific, and technical services (14.1%), and retail trade (11.8%). The industries with the lowest concentration of women-owned firms (in industries contributing 2% or more of the business population) are accommodation and food services (2.5%), construction (3.4%), and educational services (3.5%). All other industries are close to the 30% share in all industries, illustrating that women-owned firms are gaining a foothold in all sectors of the U.S. economy.

Regionally, health care and social assistance is the first or second top industry in each region. Other services (except public administration) are one of the top three industries in all regions. All of the top five industries in the regions are the same except for the West where Real estate rental and leasing is one of the top five industries. Table 2.7 presents the U.S. distribution of women-owned businesses by industry type for 2002 and 2007.

Table 2.7: Percentage of Women-Owned Firms by Industry

Industry Sector	2002 Percentage	2007 Percentage
Construction	3.1%	3.4%
Retail Trade	14.6%	11.8%
Finance & Insurance	2.6%	2.6%
Real Estate	7.8%	8.4%
Professional/Scientific/Technical Services	14.4%	14.1%
Administrative Services	8.8%	10.1%
Educational Services	3.0%	3.5%
Health Care & Social Assistance	16.0%	15.8%
Arts, Entertainment, Recreation	4.5%	4.8%
Accommodation & Food Services	2.6%	2.5%
Other Services	15.7%	16.1%
All Other Industries (with <2%)	6.1%	6.9%

TRENDS SUMMARY

The years from 1997 to 2007 were a dynamic period in the U.S. economy. The strong growth early in this period was negatively affected by the recession of 2000-2001; strong economic growth resumed in the 2002-2007 period. The data portray an economy moving out of a recession and ending on a high note in 2007.

In 2002, and 2007, the vast majority of firms were nonemployer firms. The percentage of women-owned nonemployer firms in 2007 was 88.3% while it was 76.8% for men-owned firms. This represents a difference of 9.5%. The ownership distribution by industry may reflect certain gender preferences. For example, women-owned firms had higher shares of the firms in health care and educational services, and firms owned by men dominated construction and transportation in 2007. The number of nonemployer firms owned by both men and women grew from 2002-2007, while the number of employer firms owned by both women and men declined in 2002-2007. Most states with more publicly held businesses (relative to their populations) tended to also have more businesses overall and more women-owned businesses (relative to population) than other states.

When looking at recent trends in women-owned businesses in the U.S. there are both positive trends as well as stark differences between women-owned and men-owned businesses. On the one hand, women-owned businesses have grown rapidly in recent decades—faster than men-owned businesses—and account for over $1 trillion in economic output. Employment at women-owned firms has been increasing over the last 10 years, whereas it has declined in firms owned by men. Business ownership has expanded particularly rapidly among minority women. On the other hand, there continue to be substantial disparities between women-owned and men-owned businesses.

Looking forward, small businesses will be a large part of moving the economy ahead as entrepreneurs continue to spur new innovation and create employment. That said, industries will recover from the downturn in different ways, and some industries, such as construction and business services, have clearly been hit harder than in past business cycles. Construction in particular is overwhelmingly dominated by small businesses—more than 86 % of firms in this sector are considered small. The construction industry lost 682,000 jobs in 2007-2008; only one other major industrial sector lost more jobs over the period—manufacturing, with a loss of 875,000 jobs. That said, past research has suggested that smaller firms have been able to recover from economic downturns with respect to employment growth more rapidly than their larger counterparts.

This is further evidenced from data from the Statistics of U.S. Businesses (SUSB) that indicate that net job creation in the immediate years following the 1990-1991 and 2001 recessions stemmed from employment generated by small firms with fewer than 500 employees, while large businesses grew little because of net contractions in employment. During these two past recessions, firms with fewer than 20 employees were the only ones with positive net job growth; the larger category of small businesses with fewer than 500 employees, as well as large firms with 500 or more employees both experienced net employment losses.

The strong growth of women-owned businesses in recent years, and their performance as job creators at a time when other businesses have been losing jobs, testifies to the importance of women-owned businesses to the economy. Women-owned businesses are an economic resource that has not yet been fully developed. Thus, more attention needs to be given to identifying opportunities to encourage and support women who wish to become entrepreneurs.

START-UP AND EXPANSION OF WOMEN-OWNED FIRMS

BUSINESS ACQUISITION

This section focuses on how women-owned firms are acquired. As indicated in Figure 3.1, the vast majority of firms, approximately three-quarters, are founded.

Figure 3.1: Acquisition Types of Women-Owned Firms

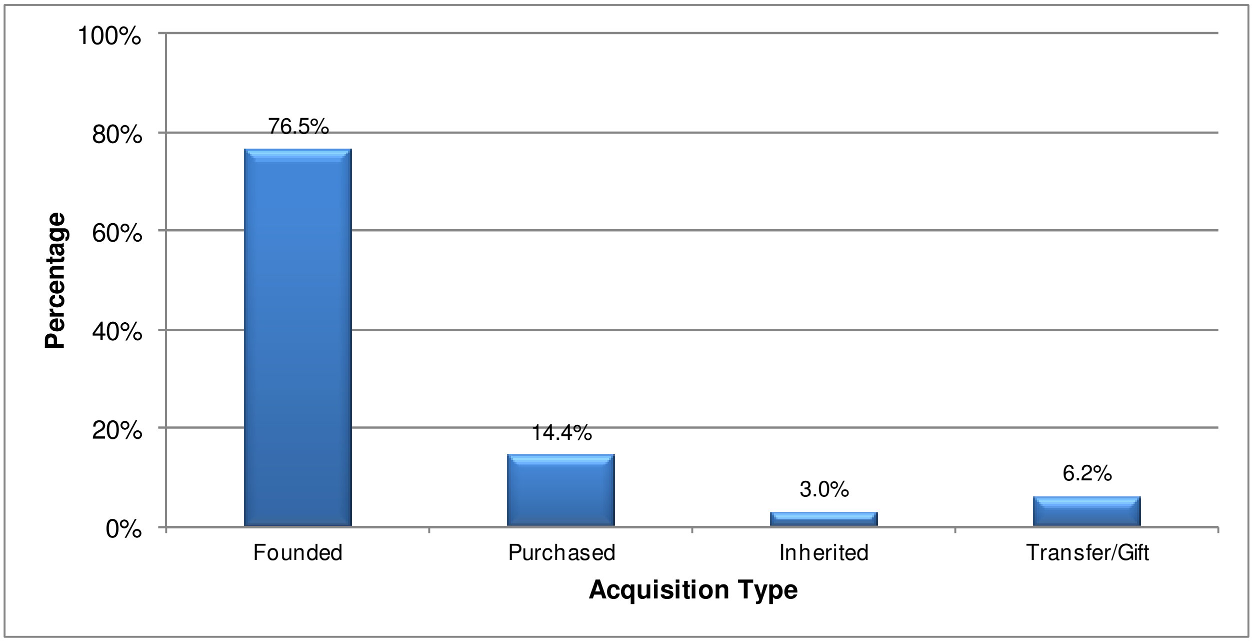


Table 3.1 provides data about how a firm was acquired disaggregated by the race/ethnicity of the owner. Because the vast majority of firms are founded it is not surprising that the most common acquisition type for each category of race/ethnicity is "founded." It is, however, noteworthy that nearly one-quarter (23.5%) of Asian women-owned firms were acquired through purchase. That is almost 10 percentage points higher than all other race/ethnicity categories.

Table 3.1: Acquisition Types for Women-Owned Firms by Race/Ethnicity

	Founded	Inherited	Purchased	Transfer of ownership/gift
American Indian and Alaska Native	49,782	1,592	7,536	3,947
	79.2%	2.5%	12.0%	6.3%
Asian	310,527	6,765	104,611	22,821
	69.8%	1.5%	23.5%	5.1%
Black or African-American	247,110	6,850	38,647	12,831
	80.9%	2.2%	12.7%	4.2%

	Founded	Inherited	Purchased	Transfer of ownership/gift
Hispanic	355,095	9,286	59,889	22,880
	79.4%	2.1%	13.4%	5.1%
Native Hawaiian and Other Pacific Islander	9,321	771	1,795	986
	72.4%	6.0%	13.9%	7.7%
White	5,052,184	202,887	913,094	421,620
	76.7%	3.1%	13.9%	6.4%

SOURCE OF START-UP OR ACQUISITION CAPITAL

This section focuses on the source of capital used to acquire women-owned firms. 2007 results reveal that nearly one-third (30.3%) did not need start-up capital. The high percentage of women-owned firms not needing capital reduces the number of women-owned businesses needing to report other sources of funding which in turn has an impact on subsequent comparisons. The current data suggest that in addition to other reasons, women-owned businesses may underestimate the need for start-up capital. This notion is reinforced in the next section which focuses on the amount of capital. The remainder of this section focuses on the sources of capital. A summary of the sources is provided as Table 3.2.

Nearly one-third of women-owned firms (30.3%) report not needing start-up capital

Adding together all personal sources of capital [i.e. Personal/family savings of owner(s), Personal/family assets other than savings of owner(s), Personal/family home equity loan, Personal/business credit card(s)] reveals 76.4% of women-owned firms rely on personal sources of capital. For both men-owned and women-owned firms personal/family savings are the predominant source of funding.

Table 3.2: Sources of Start-Up or Acquisition Capital for Women-Owned Firms

Source of Start-up or Acquisition Capital	N	Percentage
Personal/family savings of owner(s)	2,039,841	55.5%
None needed	1,114,176	30.3%
Personal/business credit card(s)	400,632	10.9%
Personal/family assets other than savings of owner(s)	222,335	6.0%
Business loan from a bank or financial institution	200,823	5.5%
Personal/family home equity loan	147,578	4.0%
Don't know	112,372	3.1%
Business loan/investment from family/friends	67,325	1.8%
Other source(s) of capital	48,539	1.3%
Government-guaranteed business loan from a bank or financial institution	16,904	0.5%
Business loan from federal, state, or local government	16,530	0.4%
Grants	10,095	0.3%
Investment by venture capitalist(s)	4,848	0.1%

Table 3.3 provides an overview of the differences in the reliance on various sources of acquisition or start-up capital from 2002 to 2007. Interestingly, the percentage of women-owned firms reporting that no acquisition or start-up capital was needed is lower in 2007 than it was in 2002. This suggests that more women-owned firms need or are seeking acquisition or start-up capital. While we cannot know with certainty why this is the case, it is possible that it reflects that women business owners are recognizing the importance of early investment into firms and/or are acquiring or starting firms in more diverse industries, including those requiring more resources.

Table 3.3: Source(s) of Start-Up or Acquisition Capital for Women-Owned Firms

Source of Start-Up or Acquisition Capital	2007	2002	Five Year Trend
Total Reported	3,677,106	4 659 815	-982,709
Personal/Family Savings of Owner	2,039,841	2,246,031	-206,190
	55.5%	48.2%	7.3%
Personal/family assets other than savings of owner(s)	222,335	326,187	-103,852
	6.0%	7.0%	-1.0%
Personal/family home equity loan	147,578	-	-
	4.0%	-	-
Personal/business credit card(s)	400,632	428,703	-28,071
	10.9%	9.2%	1.7%
Business loan from federal, state, or local government	16,530	32,619	-16,089
	0.4%	0.7%	-0.3%
Government-guaranteed business loan from a bank or financial institution	16,904	23,299	-6,395
	0.5%	0.5%	0.0%
Business loan from a bank or financial institution	200,823	270,269	-69,446
	5.5%	5.8%	-0.3%
Business loan/investment from family/friends	67,325	-	-
	1.8%	-	-
Investment by venture capitalist(s) ***(Outside investors in 2002 data)***	4,848	74,557	-69,709
	0.1%	1.6%	-1.5%
Grants	10,095	-	-
	0.3%	-	-
Other source(s) of capital	48,539	-	-
	1.3%	-	-
Don't know	112,372	-	-
	3.1%	-	-
None Needed	1,114,176	1,733,451	-619,275
	30.3%	37.2%	-6.9%

Table 3.4 provides data about the source of acquisition or start-up capital for women-owned firms disaggregated by race/ethnicity. The overall pattern is similar across categories. American Indian/Alaskan native firms tend to have a higher rate of use of personal/family assets other than savings of owner(s) than do all other types of owners. Black or African-American firm owners report the least amount of reliance on loans regardless of the source of the loan (i.e. personal/

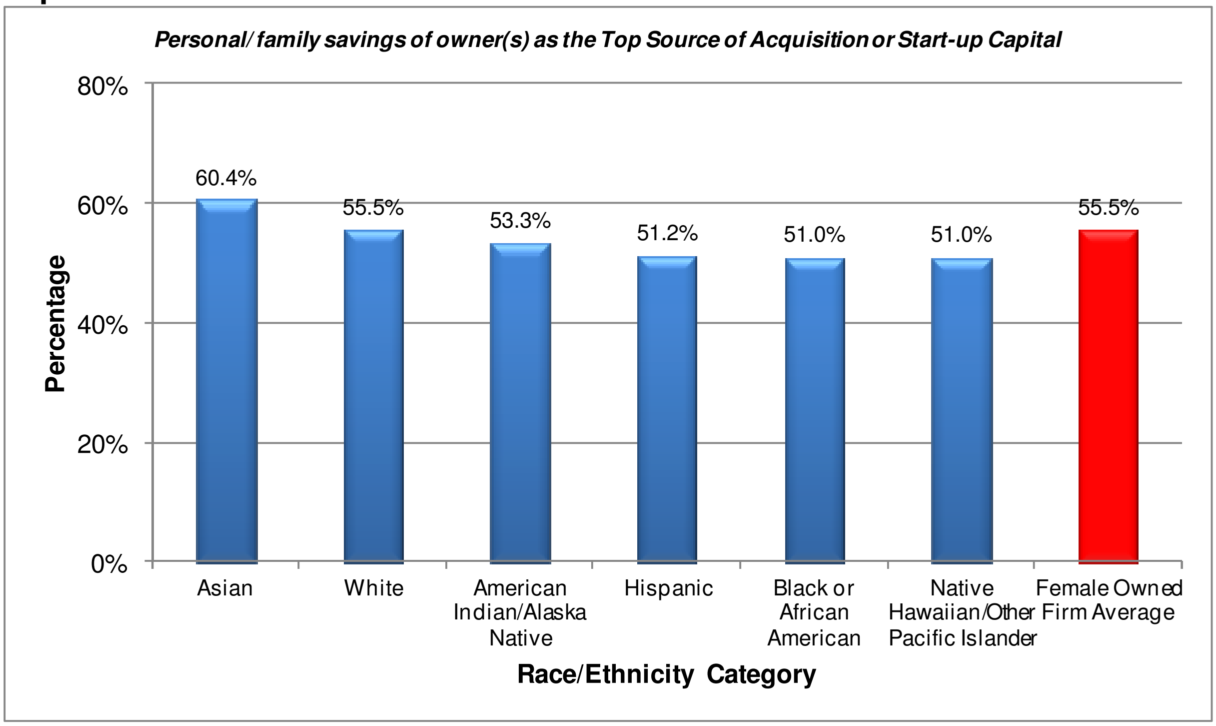
family home equity loans, business loan from a bank or financial institution, or business loan/investment from family/friends).

Table 3.4: Source of Acquisition or Start-up Capital for Women-Owned Firms by Race/Ethnicity

		White	Hispanic	Black or African-American	American Indian/ Alaska Native	Asian	Native Hawaiian/ Other Pacific Islander
Total reported		3,224,207	249,792	223,879	34,516	224,025	6,427
Personal/family savings of owner(s)		1,788,727	127,782	114,186	18,394	135,303	3,278
		55.5%	51.2%	51%	53.3%	60.4%	51%
Personal/family assets other than savings of owner(s)		196,138	11,624	11,888	2,937	14,018	417
		6.1%	4.7%	5.3%	8.5%	6.3%	6.5%
Personal/family home equity loan		125,640	10,375	6,459	1,129	14,815	*
		3.9%	4.2%	2.9%	3.3%	6.6%	*
Personal/business credit card(s)		353,175	25,222	23,315	5,320	23,614	1,005
		11%	10.1%	10.4%	15.4%	10.5%	15.6%
Business loan from federal, state, or local government		14,182	1,201	1,296	171	1,030	107
		0.4%	0.5%	0.6%	0.5%	0.5%	1.7%
Government-guaranteed business loan from a bank or financial institution		14,669	823	963	*	1,145	77
		0.5%	0.3%	0.4%	*	0.5%	1.2%
Business loan from a bank or financial institution		178,961	8,227	6,263	1,542	14,543	272
		5.6%	3.3%	2.8%	4.5%	6.5%	4.2%
Business loan/investment from family/friends		56,996	4,218	2,686	756	7,446	127
		1.8%	1.7%	1.2%	2.2%	3.3%	2%
Investment by venture capitalist(s)		3,999	407	390	115	416	*
		0.1%	0.2%	0.2%	0.3%	0.2%	*
Grants		7,825	910	1,446	*	*	*
		0.2%	0.4%	0.6%	*	*	*
Other source(s) of capital		39,907	*	4,870	609	3,809	121
		1.2%	*	2.25	1.8%	1.7%	1.9%
Don't know		88,190	10,583	10,915	1,221	12,424	251
		2.7%	4.2%	4.95	3.5%	5.5%	3.9%
None needed		985,573	84,438	77,545	10,769	49,946	1,846
		30.6%	33.8%	34.6%	31.2%	22.3%	28.7%

As illustrated in Figure 3.2, the majority of women-owned firms utilized personal/family savings of the owner(s) as the source of acquisition or start-up capital. Owners of Asian descent tend to rely on personal/family savings more so than other race/ethnicity categories. But this funding source is the predominant source across all race/ethnicity categories.

Figure 3.2: Percentage of Women-Owned Businesses by Race that Utilized Personal/ family savings of owner(s) as the Top Source of Acquisition or Start-up Capital



As indicated in Table 3.5, the majority of female owners in all industry types obtained acquisition or start-up capital from personal/family savings or did not require start-up capital. Educational Services is the only industry where the percentage of women that did not require acquisition or start-up capital was more than the percentage that required capital from personal/family savings of owner(s). The difference in types of industries in which men-owned and women-owned businesses operate is likely to be one of the reasons that the sources and amounts of acquisition or start-up capital vary.

Table 3.5: Comparison by Industry Type of the Percentage of Women-Owned Firms that Utilized Personal/ family Savings as the Source of Acquisition or Start-up Capital or did not Require Start-Up Capital

Industry Type	Personal/family savings of owner(s)	None needed
Wholesale trade	65.5%	18.3%
Manufacturing	64.5%	16.4%
Retail trade	63.8%	16.6%
Real estate and rental and leasing	61.0%	22.6%
Accommodation and food services	60.7%	13.2%
Professional, scientific, and technical services	58.7%	32.4%
Construction	58.6%	24.6%

Industry Type	Personal/family savings of owner(s)	None needed
Finance and insurance	57.9%	28.3%
Arts, entertainment, and recreation	54.3%	36.1%
Other services (except public administration)	53.3%	29.3%
Information	52.5%	37.9%
Agriculture, forestry, fishing and hunting	51.8%	29.9%
Utilities	49.7%	29.9%
Health care and social assistance	48.6%	38.9%
Mining, quarrying, and oil and gas extraction	48.5%	27.4%
Transportation and warehousing	47.8%	30.9%
Management of companies and enterprises	47.6%	17.5%
Administrative and Support and Waste Management and Remediation Services	45.3%	43.8%
Industries not classified	45.1%	41.9%
Educational services	44.3%	47.1%

Table 3.6 provides data about the source of acquisition or start-up capital of women-owned firms disaggregated by size of firm as measured by sale/receipts. As with other displays, the most common source of funding is personal/family savings of owner(s). In general, the larger the firms, the more external sources of funds are used as compared to smaller firms. However, the reliance on external funds is still fairly modest.

Table 3.6: Source of Acquisition or Start-up Capital by Firm Size*

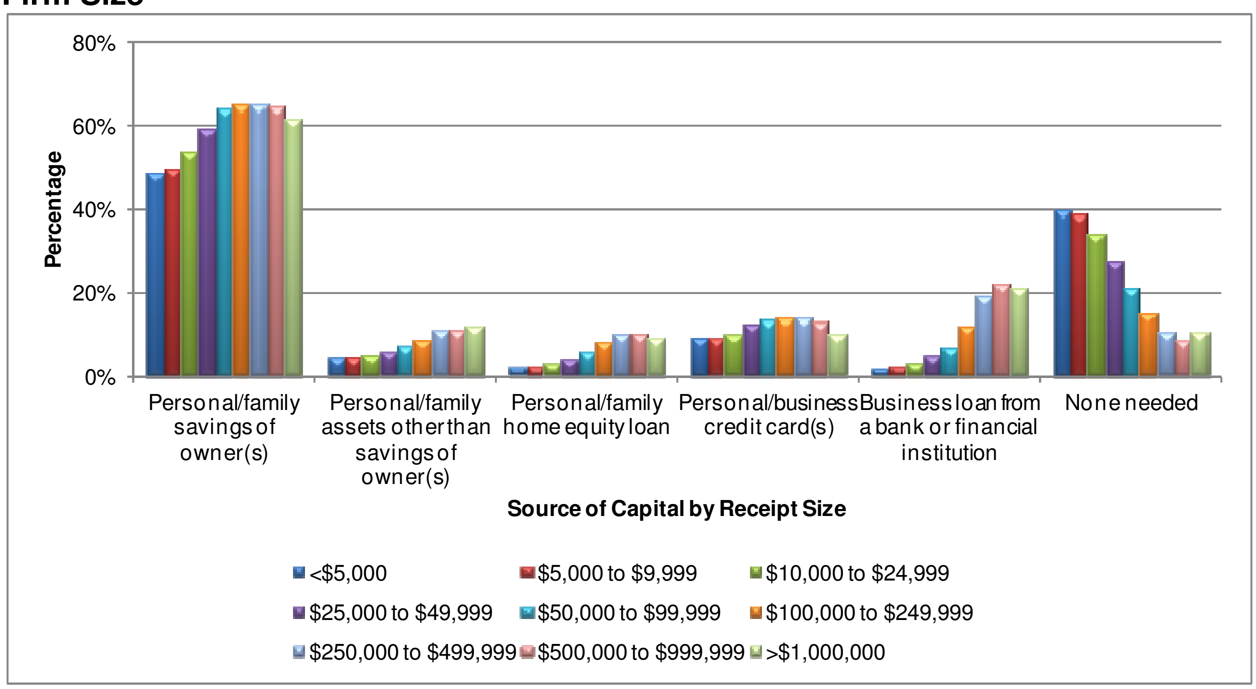
	< $5K	$5K to $9.9K	$10K to $24.9 K	$25K to $49.9 K	$50K to $99.9 K	$100K to $249. 9K	$250K to $499. 9K	$500K to $999. 9 K	>$1,0 00 K
Personal/family savings of owner(s)	48.9	49.8	53.6	59.3	64	65.2	64.9	64.5	61.6
Personal/family assets other than savings of owner(s)	4.5	4.6	5.1	5.9	7.1	8.8	10.9	11.1	12.1
Personal/family home equity loan	1.8	2.2	2.8	4.1	5.8	8.3	10.3	10.2	9.2
Personal/business credit card(s)	9.3	9	9.9	12.6	13.5	14	13.9	13.1	9.9
Business loan from federal, state, or local government	0.2	0.2	0.2	0.3	0.5	1	1.5	2.1	1.9
Government-guaranteed business loan from a bank or financial institution	0.2	0.2	0.2	0.2	0.5	1	1.7	2.4	2.4

	< $5K	$5K to $9.9K	$10K to $24.9 K	$25K to $49.9 K	$50K to $99.9 K	$100K to $249. 9K	$250K to $499. 9K	$500K to $999. 9 K	>$1,0 00 K
Business loan from a bank or financial institution	1.7	2.1	2.9	4.7	6.9	12	19.1	22.1	21.2
Business loan/investment from family/friends	0.6	1	1.1	1.8	2.4	3.6	5.4	5.9	6.4
Investment by venture capitalist(s)	0.1	0.1	0.1	0.1	0.1	0.2	0.4	0.4	0.6
Grants	0.3	0.3	0.3	0.4	0.2	0.2	0.1	0.2	S
Other source(s) of capital	0.9	1	1.2	1.2	1.4	2	2.6	2.8	3
Don't know	3.3	3.5	3	2.1	1.9	2.3	3.4	4.8	7.1
None needed	39.9	38.6	34.1	27.3	21	15.1	10.4	8.6	10.5

**Reported as percentage of all respondents within same category.*

As illustrated in Figure 3.3, larger firms require capital from a broader range of sources. This is likely because the amount of capital required is also greater and thus capital is sought from more sources. The use of personal/family savings of owner(s) as a source of capital remains the primary source of capital and even tends to increase slightly with the size of business. The percentage of women-owned firms indicating that no capital was needed to acquire or start the firm tends to decrease as the firm size, as measured by sales/receipts, increases.

Figure 3.3: Source of Acquisition or Start-up Capital of Women-Owned Firms by Firm Size



AMOUNT OF START-UP OR ACQUISTION CAPITAL

This section focuses on the amount of capital used to acquire women-owned firms. As noted in Table 3.2, when identifying the source of start-up capital, of all women-owned firms, 30.3% reported not needing a source of capital.

The SBO reports data on the amount of start-up capital required. Of the respondents, 36.8% of the women-owned firms of $5K or less. The derivation of these responses includes the Non-Applicable (NA) and don't know responses. When the don't know and NA responses are not included in the derivation of the statistics, over half of the women-owned firms were acquired or started with less than $5,000 (59.0%). Figure 3.4 displays the percentage of women-owned firms that used the specific amounts for acquisition or start-up funds.

Figure 3.4: Amount of Capital used to Start or Acquire the Business for Women-Owned Firms *(excludes Don't Know and NA response)*

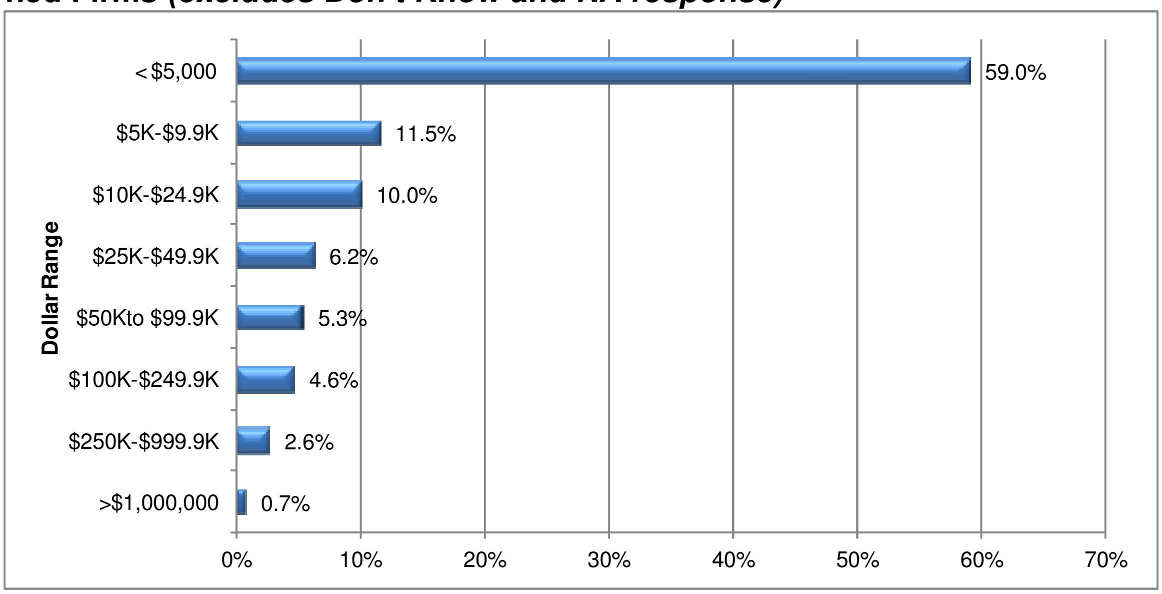


Table 3.7 displays the amounts and percentages of start-up capital including and excluding the NA and don't know categories.

Table 3.7: Amount of Capital Used to Start or Acquire the Business for Women-Owned Firms by Sales/Receipts

Average Receipts	N	% with Don't Know/NA	% Excluding Don't Know/NA
Less than $5,000	1,329,321	36.8%	59.0%
$5,000 to $9,999	259,657	7.2%	11.5%
$10,000 to $24,999	224,361	6.2%	10.0%
$25,000 to $49,999	136,937	3.8%	6.2%
$50,000 to $99,999	120,313	3.3%	5.3%
100,000 to $249,999	103,852	2.9%	4.6%
$250,000 to $999,999	59,319	1.6%	2.6%

Average Receipts	N	% with Don't Know/NA	% Excluding Don't Know/NA
$1,000,000 or more	15,468	0.4%	0.7%
Don't Know	245,609	6.8%	
NA	1,114,176	30.9%	

The amount of capital used to acquire or start the firm is related to the size of the firm as measured by the amount of sale/receipts (see Figure 3.5). This suggests, as one would expect, that larger firms require more capital to start or acquire the business. The percentage of respondents indicating that the item was not applicable to them was smaller in relation to the size of firm as measured by the amount of sale/receipts. This reinforces the notion that smaller firms may not require (or that female owners may not provide) significant amounts of upfront capital.

Figure 3.5: Amount of Capital used to Start or Acquire the Business for Women-Owned Firms by Sales/Receipts

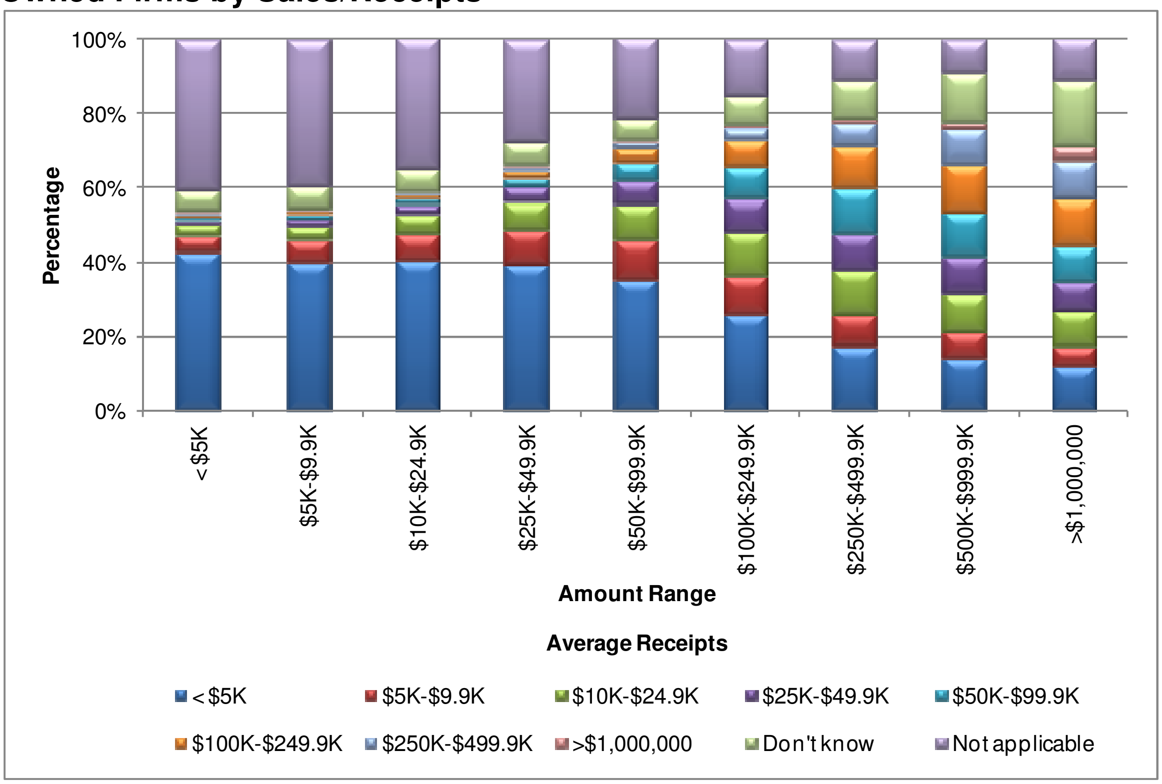


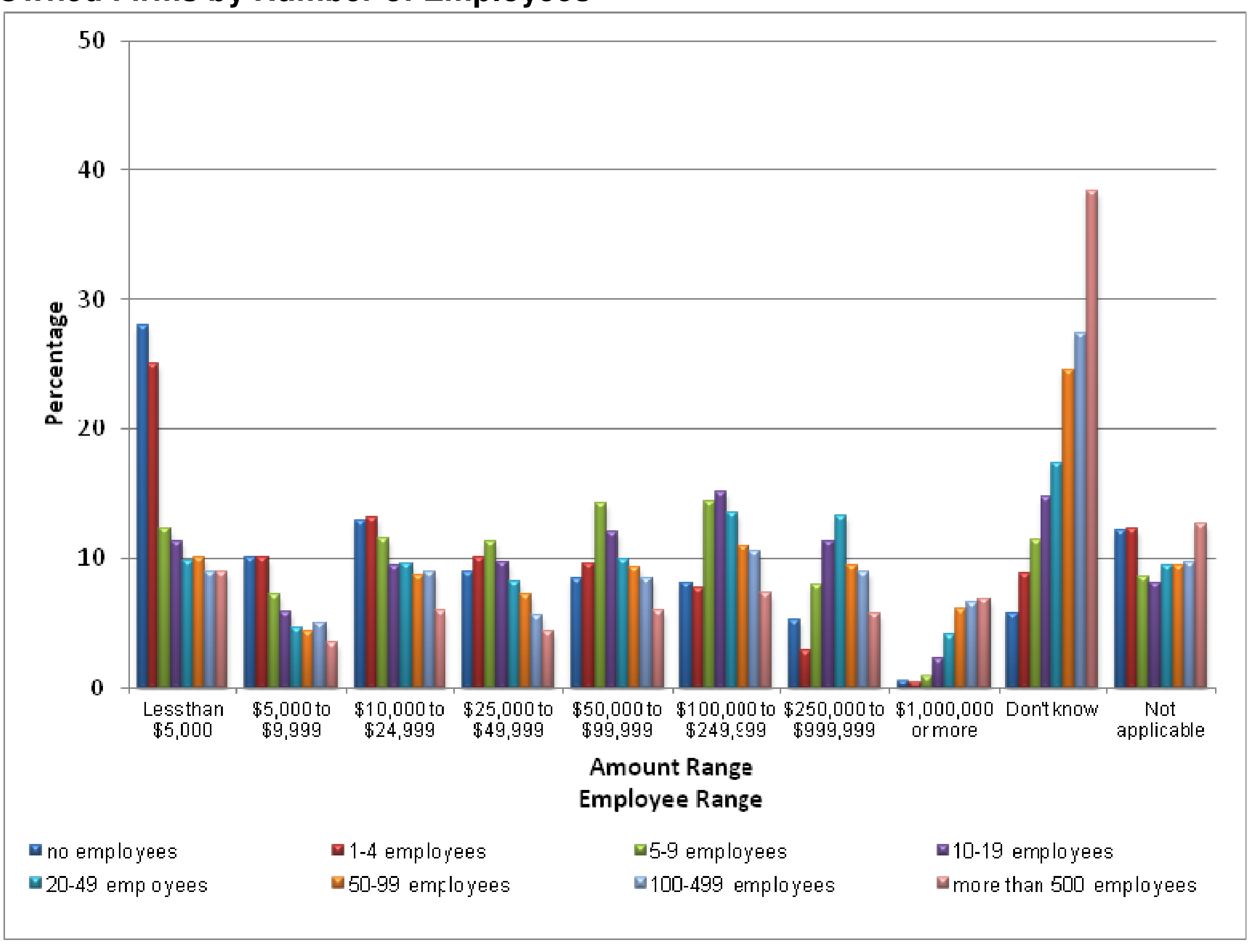
Table 3.8 provides a more focused look at the amount of capital used to start or acquire the business firms for women-owned firms by the size of the firm as measured by the amount of sale/receipts. Percentages are provided for the largest ($1,000,000 or more) and smallest (less than $5,000) amounts of start-up or acquisition capital.

Table 3.8: Amount of Capital used to Start or Acquire the Business for Women-Owned Firms by Sales/Receipts

Average Receipts	Less than $5,000	$1,000,000 or more	Don't know	Not applicable
Less than $5,000	42.5%	0.2%	5.7&	40.5%
$5,000 to $9,999	40.1%	0.1%	6.3%	39.2%
$10,000 to $24,999	40.6%	0.2%	6.2%	34.8%
$25,000 to $49,999	39.5%	0.3%	6.0%	27.8%
$50,000 to $99,999	35.2%	0.4%	5.8%	21.5%
100,000 to $249,999	26.1%	0.7%	7.6%	15.4%
$250,000 to $499,999	17.6%	1.3%	10.4%	10.7%
$500,000 to $999,999	14.0%	2.1%	13.2%	8.8%
$1,000,000 or more	11.8%	3.7%	18.0%	10.8%

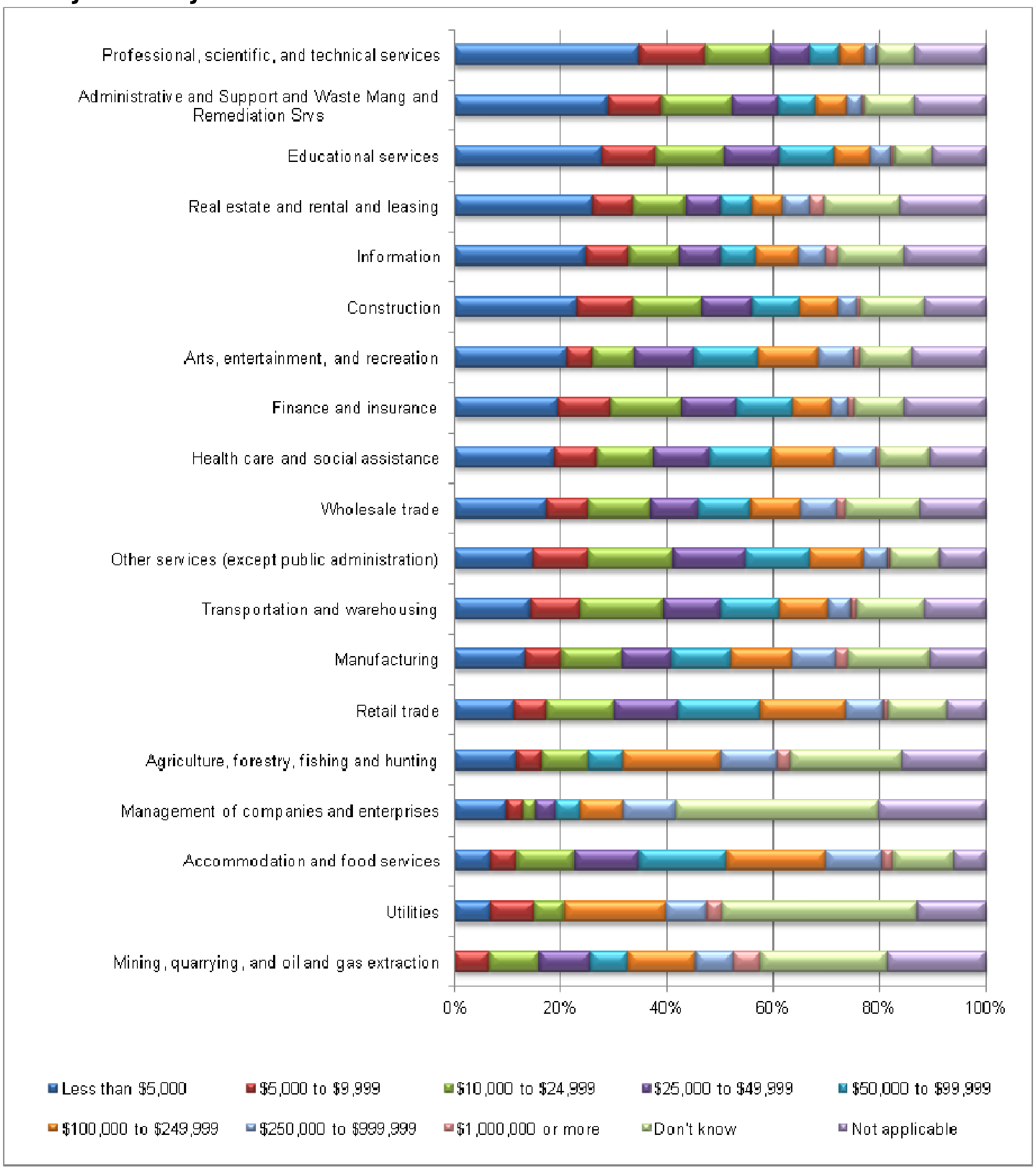
Not surprisingly, the amount of capital required tended to be related to the number of employees with more capital being used in firms with a larger number of employees.

Figure 3.6: Amount of Capital used to Start or Acquire the Business for Women-Owned Firms by Number of Employees



The amount of capital Utilized for Start-up or Acquisition of Women-Owned Firms by Industry is displayed in Figure 3.7. The industries for which the least amount of capital (less than $5,000) is utilized for start-up or acquisition include: Professional, scientific, and technical services (35.0%), Administrative and Support and Waste Management and Remediation Services (29.0%), Educational services (27.9%), and Real estate and rental and leasing (26.1%). The industry for which the most amount of capital ($1,000,000 or more) is utilized for start-up or acquisition is Mining, quarrying, and oil and gas extraction (4.3%).

Figure 3.7: Amount Capital Utilized for Start-up or Acquisition of Women-Owned Firms by Industry



SOURCE(S) OF CAPITAL TO EXPAND BUSINESS

This section focuses on the source of capital used to expand women-owned firms. Around half the surveyed firms were able to expand or make capital improvements. For firms that expanded or made capital improvements, 8.7% of women-owned firms obtained a business loan from a bank or financial institution. Table 3.9 displays the percentage of women-owned firms that did or did not expand as well as the sources of capital used to expand.

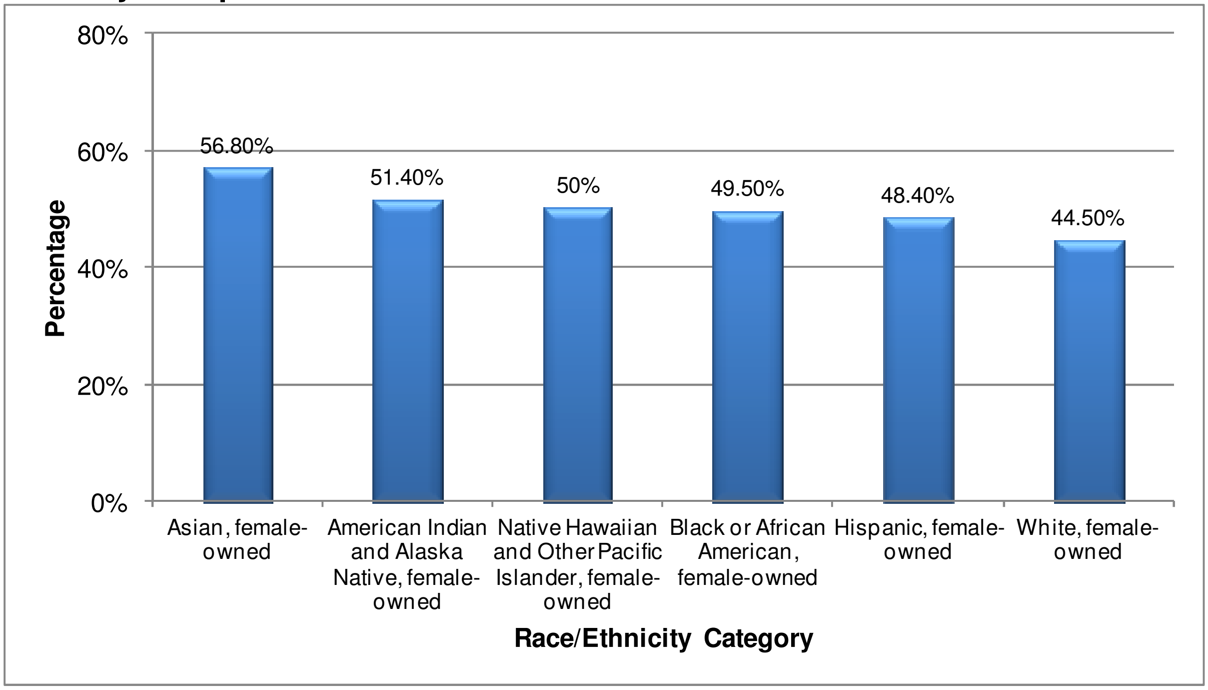
Table 3.9: Sources of Expansion Capital by Women-Owned Firms*

Source of expansion capital	N	Percentage
Total number of reporting firms	3,575,483	
Did not expand or make capital improvements	1,945,284	54.5%
Businesses that did expand or make capital improvements (Percentages based on businesses that expanded)		
Total	**1,630,199**	**45.5%**
Personal/family savings of owner(s)	963,136	59.0%
Personal/family assets other than savings of owner(s)	115,119	7.0%
Personal/family home equity loan	113,490	6.9%
Personal/business credit card(s)	415,402	25.4%
Business loan from federal, state, or local government	10,615	0.6%
Government-guaranteed business loan from a bank or financial institution	8,243	0.5%
Business loan from a bank or financial institution	142,514	8.7%
Business loan/investment from family/friends	26,517	1.6%
Investment by venture capitalist(s)	2,453	0.1%
Business profits and/or assets	252,040	15.4%
Grants	9,651	0.5%
Other source(s) of capital	21,019	1.2%
Don't know	190,456	11.6%
Did not have access to capital	71,487	4.3%

**The survey question asked, "In 2007, were any of the following sources used to finance expansion or capital improvement(s) for this business? Mark X all that apply." The specific categories listed in the question are displayed.*

As noted, 45.5% of women-owned firms did not expand. When the race/ethnicity categories are considered, 56.0% of Asian female firms did not expand which is the highest of all the race/ethnicities. Less than half, 44.5% of the white female firms did not expand which is the lowest of all the race/ethnicity categories. Figure 3.8 displays the percentage of all women-owned firms that did not expand.

Figure 3.8: Percentage of Women-Owned Firms that did not Expand by Race/ Ethnicity Group



For the companies that did expand, Table 3.10 displays the capital used for this purpose by race/ethnicity.

Table 3.10: Type(s) of Expansion Source Capital for Women-owned Businesses by Race/ Ethnicity

	White	Hispanic	Black or African-American	American Indian/ Alaska Native	Asian	Native Hawaiian/ Other Pacific Islander
Total reported	3,132,734	243,081	217,849	33,760	220,121	6,317
Personal/family savings of owner(s)	828,019	66,123	61,440	9,566	73,702	1,675
	26.4%	27.2%	28.2%	28.3%	33.5%	26.5%
Personal/family assets other than savings of owner(s)	98,170	7,383	7,795	1,871	8,677	351
	3.1%	3.0%	3.6%	5.5%	3.9%	5.6%
Personal/family home equity loan	96,816	8,627	5,196	*	10,899	*
	3.1%	3.5%	2.4%	*	5.0%	*
Personal/business credit card(s)	368,605	24,826	21,648	5,251	24,966	836
	11.8%	10.2%	9.9%	15.6%	11.3%	13.2%
Business loan from federal, state, or local government	8,852	993	718	108	945	*
	0.3%	0.4%	0.3%	0.3%	0.4%	*

	White	Hispanic	Black or African-American	American Indian/ Alaska Native	Asian	Native Hawaiian/ Other Pacific Islander
Government-guaranteed business loan from a bank or financial institution	6,853	*	491	54	845	*
	0.2%	*	0.2%	0.2%	0.4%	*
Business loan from a bank or financial institution	127,262	7,526	4,818	1,333	9,708	152
	4.1%	3.1%	2.2%	3.9%	4.4%	2.4%
Business loan/investment from family/friends	21,181	2,050	1,611	380	3,792	*
	0.7%	0.8%	0.7%	1.1%	1.7%	*
Investment by venture capitalist(s)	1,943	301	213	*	*	*
	0.1%	0.1%	0.1%	*	*	*
Business profits and/or assets	227,486	12,276	9,753	2,718	14,611	379
	7.3%	5.1%	4.5%	8.1%	6.6%	6%
Grants	7,806	738%	1,175	171	650	*
	0.2%	0.3	0.5%	0.5%	0.3%	*
Other source(s) of capital	16,391	1,802	2,787	*	1,727	*
	0.5%	0.7%	1.3%	*	0.8%	*
Don't know	150,640	*	18,494	2,209	20,271	*
	4.8%	*	8.5%	6.5%	9.2%	*
Did not have access to capital	57,219	7,401	9,246	887	4,906	*
	1.8%	3.0%	4.2%	2.6%	2.2%	*
Did not expand or make capital improvement(s)	1,738,774	125,456	109,949	16,415	95,002	3,160
	55.5%	51.6%	50.5%	48.6%	43.2%	50,0%

**According to U.S. Census, estimate did not meet publication standards*

In 2007, 54.5% of the reporting women-owned firms did not expand or make capital improvements. Of the reporting women-owned firms that did expand or make capital improvements, the majority (59.0%) used personal/family savings of the owner(s). The next largest source of funds to expand or make capital improvements was personal/business credit card(s) (25.4%). The trend appears to be towards heavier reliance on personal sources of capital. Table 3.11 displays this information.

Table 3.11: Comparison Over-Time of Women-Owned Firms for Expansion Capital

Source of expansion capital	2007	2002	Difference
Total number of reporting companies	3,575,483	4,659,815	-
Did not expand or make capital improvement(s)	1,945,284	Not Reported (NR)	-
	54.4%	NR	-
Businesses that did expand or make capital improvements (Percentages based on businesses that expanded)			
Total	**1,630,199**	**-**	**-**
	45.5%	**-**	**-**
Personal/family savings of owner(s)	963,136	-	-
	59.0%	23.0%	36.0%
Personal/family assets other than savings of owner(s)	115,119	-	-
	7.0%	4.0%	3.0%
Personal/family home equity loan	113,490	-	-
	6.9%	-	-
Personal/business credit card(s)	415,402	-	-
	25.4%	11.2%	14.2%
Business loan from federal, state, or local government	10,615	-	-
	0.6%	0.4%	0.2%
Government-guaranteed business loan from a bank or financial institution	8,243	-	-
	0.5%	0.2%	0.3%
Business loan from a bank or financial institution	142,514	-	-
	8.7%	4.0%	4.7%
Business loan/investment from family/friends	26,517	-	-
	1.6%	-	-
Investment by venture capitalist(s)	2,453	-	-
	0.1%	0.8%	-0.7%
Business profits and/or assets	252,040	-	-
	15.4%	-	-
Grants	9,651	-	-
	0.5%	-	-
Other source(s) of capital	21,019	-	-
	1.2%	-	-
Don't know	190,456	-	-
	11.6%	-	-
Did not have access to capital	71,487	-	-
	4.3%	-	-
None needed (2002)	-	3,000,921	-
	-	64.4%	-

START-UP AND EXPANSION OF WOMEN-OWNED FIRMS SUMMARY

The majority of businesses owned by women were founded with 30.3% not needing any source of capital to start the firms. Well over half of the women-owned firms used less than $5,000 in start-up capital (59.0%). As indicated in the section focused on trends over time, women are making strides in business ownership. While women are making gains starting or acquiring businesses, the current data also hint at patterns that may threaten or undermine those gains. In general, women tend to start firms with smaller amounts of capital and may under invest in their firms. Women-owned firms tended to utilize lower amounts of start-up capital and to not expand or make capital improvement at the same level as other ownerships types. While the types of businesses founded or acquired by women may require fewer initial funds, it is widely held that women tend to spend less on their businesses and that can have far reaching consequences – such as increasing the likelihood of failure and limiting future growth.

A related trend is that women-owned firms rely less on external sources of capital, such as business loans from banks or financial institutions, and rely more on personal sources of capital, such as personal savings account. This reliance on personal sources of capital may contribute to a feeling of being both personally as well as professionally "on the line" and thus may contribute to the desire to spend less in order to reduce risk exposure. An alternative perspective is that women may not have adequate access to external sources of capital and therefore, have fewer available funds to spend. Regardless of the underlying reasons, a comparison of data from 2002 to the data gathered in 2007 reveal a higher percentage of women are relying on personal funds. While that could indicate higher levels of personal wealth, it could also hint at continued barriers to receiving or a lack of willingness to seek external sources of funding.

SUSTAINABILITY OF WOMEN-OWNED FIRMS

The section is divided into several parts related to trends and patterns of women-owned businesses compared to men-owned and/or equally-owned businesses in 2002- 2007: Geographic characteristics, revenues, race/ethnicity, industry trends, and reasons businesses ceased. Terms firms and businesses are used inter-changeably throughout the report.

SBO results from 1997, 2002, and 2007 indicate that men-owned small businesses are facing some of the same problems as businesses owned by women. Although, men-owned businesses tend to be larger on average than women-owned businesses—almost twice as many have 10 or more employees and three times as many have sales of $1 million, there seem to be issues in other size categories. The percentage of businesses with 10 or more employees owned by men decreased from 1997 to 2007 (by about 1%), and the percentage with sales of $1 million or more shrunk slightly from 7% to 6%.

WHY OPERATIONS CEASED

In 2007 women-owned firms have a slightly higher cease operation percentage (21.8%) when compared to men-owned firms (16.6%) and equally men/women-owned firms (14.1%). Table 4.1 displays that approximately half of the women-owned firms ceased operations for a reason other than the available survey selections. This was approximately 10% more than men owned firms. All other reason types are comparable between men and women-owned firms.

Table 4.1: Percentage of Firms Operating or Reasons Ceased by Ownership Type *(survey respondents selected all that applied if the business was no longer in operation)*

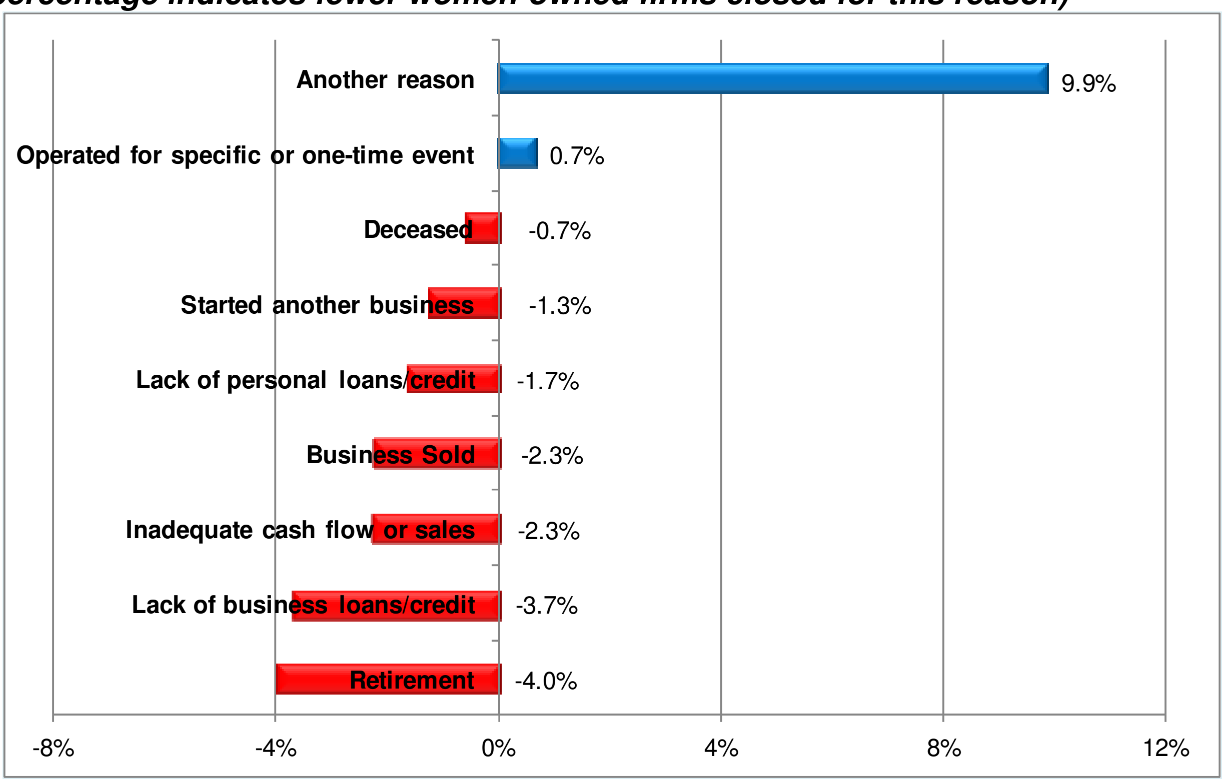
	Women-Owned Firms	Men-Owned Firms	Equally Men/Women-Owned Firms
Total number of companies	3,667,721	7,338,809	2,649,577
Currently operating	2,869,801	6,121,511	2,276,079
	78.2%	83.4%	85.9%
Businesses that have Ceased Operations (Percentages based on businesses that are no longer in operation)			
Total	**797,920**	**1,217,298**	**373,498**
	21.8%	**16.6%**	**14.1%**
Retirement	85,221	178,974	60,098
	10.7%	14.7%	16.1%
Died	8,279	21,008	9,093
	1.0%	1.7%	2.4%
Operated for a specific or one-time event	67,657	94,956	15,484
	8.5%	7.8%	4.1%
Inadequate cash flow or sales	223,304	368,601	144,073
	28.0%	30.3%	38.6%
Lack of business loans/credit	42,120	109,670	32,597
	5.3%	9.0%	8.7%

	Women-Owned Firms	Men-Owned Firms	Equally Men/Women-Owned Firms
Lack of personal loans/credit	21,447	53,822	18,524
	2.7%	4.4%	5.0%
Owner(s) started another business	23,321	51,439	17,225
	2.9%	4.2%	4.6%
Owner(s) sold the business	22,572	62,138	30,436
	2.8%	5.1%	8.1%
Another reason	403,401	495,624	128,244
	50.6%	40.7%	34.3%

In 2007, 78.2% of the women-owned firms were still in operation which is 5.2% lower than men-owned firms.

For the majority of reason types, a lower percentage of women-owned firms selected the reason as one that caused the firm to stop operating when compared to men-owned firms. Another Reason (9.9% more Women firms than men firms) and Operated for Specific of One-Time Event (0.7%) were the two areas where a higher percentage of women firms ceased operations when compared to men-owned firms. For the remaining areas, women firms were less likely than men-owned firms to identify the area as a reason the business ceased operations. Figure 4.1 presents the percentages.

Figure 4.1: Gender Comparison of Reasons Firms Ceased Operations *(Positive percentage indicates fewer women-owned firms closed for this reason)*



SURVIVAL BY INDUSTRY

Disaggregating survival by Industry type (NAIC Codes) enables a greater understanding of the business types that are sustaining at higher rates. For women-owned firms, the management of companies and enterprises is the sector that has the largest percentage of women-owned firms still in operation (95.8%). Industries not classified has the lowest percentage of firms not currently in operation (70.5%). In all sectors except agriculture, forestry, fishing and hunting, women-owned firms have a lower percentage of respondents with firms still in operation. Table 4.2 presents the percentages per industry type.

Table 4.2: Survival Rate of Women and Men-Owned Business per Industry Type

Industry Type	Women-Owned Firms	Men-Owned Firms	Difference
Total for All Sectors	78,2%	83.4%	-5.2%
Management of companies and enterprises	95.8%	96.6%	-0.8%
Mining, quarrying, and oil and gas extraction	86.9%	87.6%	-0.7%
Manufacturing	83.6%	89.3%	-5.7%
Real estate and rental and leasing	82.8%	87.8%	-5.0%
Wholesale trade	82.5%	88.8%	-6.3%
Arts, entertainment, and recreation	81.9%	83.8%	-1.9%
Accommodation and food services	81.0%	88.3%	-7.3%
Other services	80.3%	82.5%	-2.2%
Professional, scientific, and technical services	79.8%	83.9%	-4.1%
Agriculture, forestry, fishing, and hunting	79.1%	78.4%	0.7%
Finance and insurance	78.9%	85.6%	-6.7%
Utilities	77.9%	80.9%	-3.0%
Construction	76.7%	79.3%	-2.6%
Retail trade	76.5%	84.8%	-8.3%
Information	76.0%	81.9%	-5.9%
Health care and social services	75.2%	87.9%	-12.7%
Transportation and warehousing	73.6%	74.2%	-0.6%
Educational services	72.7%	76.2%	-3.5%
Administrative and support and waste management and remediation services	72.6%	81.1%	-8.5%
Industries not classified	70.5%	86.0%	-15.5%

One-quarter or more of black or African-American (32.9%), Native Hawaiian, and Other Pacific Islander (30.5%), Hispanic (28.1%), and American Indian and Alaska Native (25.9%) women-owned firms ceased their businesses in 2007. Table 4.3 and Figure 4.2 present the data.

Figure 4.2: Percentage of businesses ceasing operations by race/ethnicity

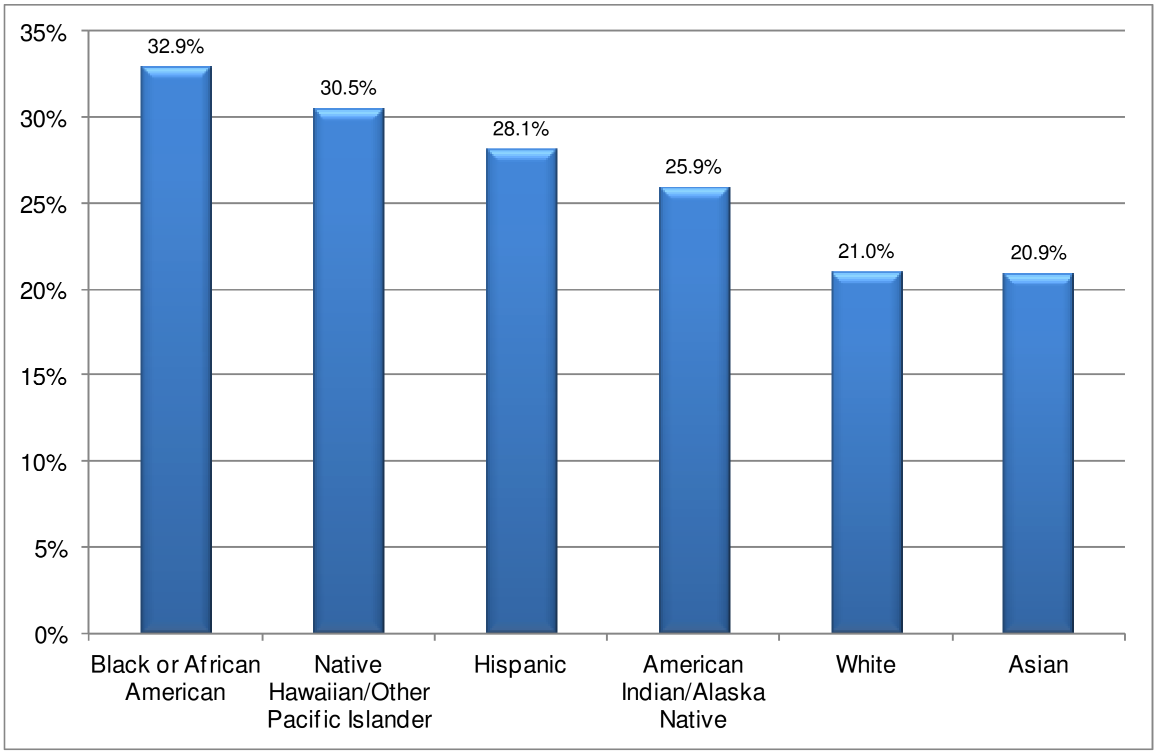


Table 4.3: Percentage of businesses operating or reasons ceased by race/ ethnicity

Business Operating or Reason Ceased	White	Hispanic	Black or African-American	American Indian/Alaska Native	Asian	Native Hawaiian/ Other Pacific Islander
Currently operating	2,541,641	178,595	148,588	25,607	176,102	4,422
	79.0%	**71.9%**	**67.1%**	**74.1%**	**79.1%**	**69.5%**
Businesses that have Ceased Operations **(Percentages based on businesses that are no longer in operation)**						
Total Not Operating	676,640	69,899	72,752	8,961	46,616	1,940
	21.0%	28.1%	32.9%	25.9%	20.9%	30.5%
Retired	77,722	4,669	4,406	619	2,879	*
	11.5%	6.7%	6.1%	6.9%	6.2%	*
Died	7,301	459	599	*	310	*
	1.1%	0.7%	0.8%	*	0.7%	*
Operated for a specific or one-time event	56,650	5,597	6,373	786	4,293	*
	8.4%	8.0%	8.8%	8.8%	9.2%	*
Inadequate cash flow or sales	189,962	18,456	22,028	2,344	10,905	*
	28.1%	26.4%	30.3%	26.2%	23.4%	*
Lack of business loans/credit	33,412	5,740	6,420	*	2,150	*
	4.9%	8.2%	8.8%	*	4.6%	*
Lack of personal loans/credit	16,065	2,194	4,149	485	1,172	*
	2.4%	3.1%	5.7%	5.4%	2.5%	*
Owner(s) started another business	20,058	1,691	1,869	*	1,347	*
	3.0%	2.4%	2.6%	*	2.9%	*

Business Operating or Reason Ceased	White	Hispanic	Black or African-American	American Indian/Alaska Native	Asian	Native Hawaiian/ Other Pacific Islander
Owner(s) sold the business	17,632	1,265	693	159	4,184	*
	2.6%	1.8%	1.0%	1.8%	9.0%	*
Another reason	339,426	37,709	38,990	4,936	24,022	1,104
	50.2%	53.9%	53.6%	55.1%	51.5%	56.9%

**According to U.S. Census, estimate did not meet publication standards*

SUSTAINABILITY SUMMARY

The phenomenal growth of women-owned businesses has made headlines for three decades—women consistently have been launching new enterprises at twice the rate of men, and their growth rates of employment and revenue have outpaced the economy.

Despite all this progress, on average, women-owned businesses are smaller compared with businesses owned by men. And while the gap has narrowed, as of 2007—the latest year for which numbers are available from the census—the average revenues of majority women-owned businesses were still only 27% of the average of majority men-owned businesses.

To help women-owned businesses grow and create jobs, there is a need to improve their access in three key areas—access to capital, global supply chain, and business networks that can help them scale.

Build Business Networks

Women appear to have difficulty forming networks that help bring in business. Women are good at connecting on common issues, but seem to need help in thinking about "bridging" rather than "bonding" to build businesses. There is a need to encourage women entrepreneurs to seek out role models and tap influential networks. Following role models who exemplify risk-taking and high achievement can help women entrepreneurs overcome fear of failure that can deter growth. Leveraging social and professional networks can give women that all-important boost to expand beyond a certain revenue threshold.

Women also do not receive enough targeted advice on scaling up their businesses; most of the programming now offered focuses on starting rather than growing businesses (U.S. Department of Commerce Economics and Statistics Administration, 2010). Certain programs are starting to make a difference that include: U.S. State Department's Pathways to Prosperity initiative promotes access to markets, finance and training for women, Ernst & Young's Entrepreneurial Winning Women program that helps connect women to influential networks and business relationships, and Goldman Sachs' 10,000 Women initiative provides business education, training, access to capital, networking, and mentoring.

Tap the Global Supply Chain

Finally, there is a need to concentrate on improving women's access to the global supply chain. At present, global spending on supplier diversity is largely un-documented (WEConnect International). However, only a fraction of governments and large corporations actively source from women-owned businesses. With the exception of members of the Billion Dollar Roundtable, which spend more than $1 billion on purchasing from minority and women-owned businesses, less than 2.2% of large corporations' procurement budgets and only 3.4% of federal government contracts go to women-owned businesses.

SUSTAINABILITY REFERENCES

U.S. Department of Commerce Economics and Statistics Administration (2010). *Women-owned businesses in the 21st Century.* Report prepared for the White House Council on Women and Girls. Retrieved from http://www.dol.gov/wb/media/Women-Owned_Businesses_in_The_21st_Century.pdf.

WOMEN-OWNED FIRMS COMPARED TO MEN-OWNED FIRMS

Multiple comparisons between female and men-owned firms have been introduced throughout this analysis. As a brief review, it was highlighted that 28.8% of U.S. firms are women-owned which is 20.3% less than men-owned firms. This difference was more pronounced for veteran owned firms with male veterans owning 94.8% of the veteran firms with women veterans owning only 4.1%. Another difference is that average receipts were 71.3% lower for women-owned firms compared to men-owned firms. Although sustained at a lower-level, the sustainability of men and women-owned firms was generally similar (83.4% to 78.2% respectively). Both men and women firms ceased operations for another reason than those listed on the survey with the difference being that just over half (50.6%) of the women-owned firms ceased operations because of this compared to 40.7% of the men-owned firms.

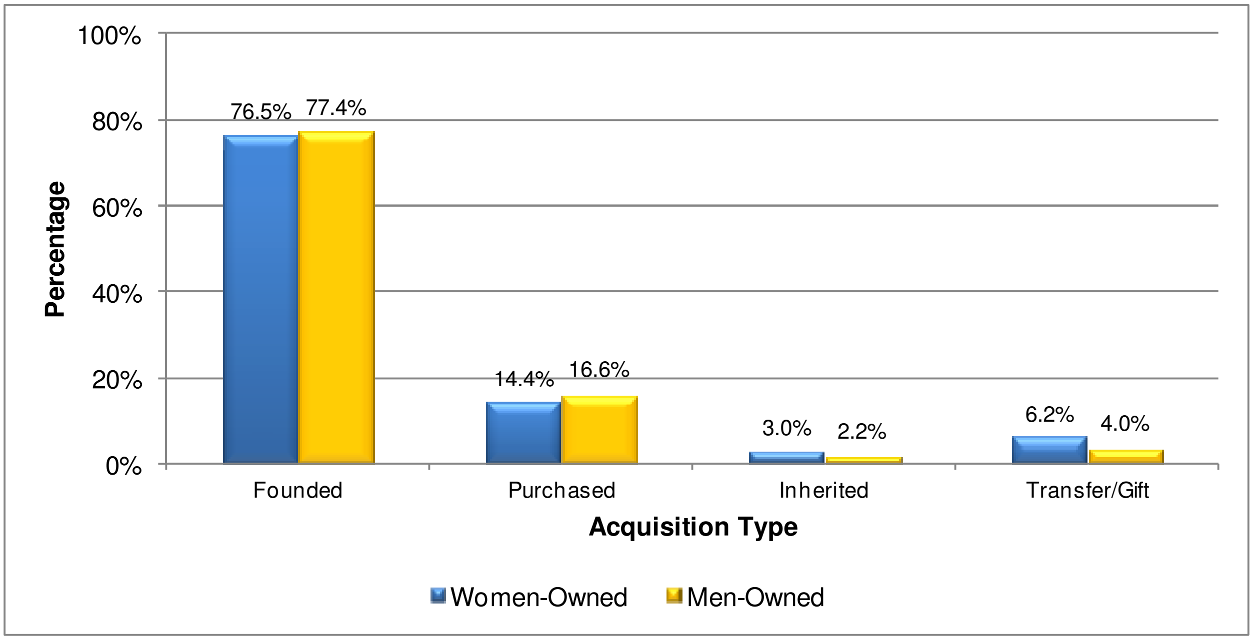
This section will continue to examine the differences between women and men-owned firms based on the 2007 SBO data collection. The areas explored will include start-up and expansion, firm-size, receipts, and industry. These areas will help reveal the variety of ways that women-owned firms are different to continue to develop the understanding of the contribution to the economy that is being made.

ACQUISITION AND START-UP

As noted, the primary acquisition type for women-owned firms is founding (76.5%). This acquisition type is the primary acquisition method for men-owned firms (77.4%). Men-owned firms have a slightly higher rate of being acquired via purchase than do women-owned firms (16.6% and 14.4% respectively). While women-owned firms are have a slightly higher rate of being acquired via transfer of ownership or gift than men-owned firms (6.2% and 4.0% respectively). However, in both cases the magnitude of the difference is not large. This information is displayed in Figure 5.1

The start-up method for women and men-owned firms is similar. Approximately three –quarters of each type are founded. Approximately 15% of each is purchased.

Figure 5.1: Start-Up Method for Women and Men-Owned Firms



There are some similarities and differences related to the sources of start-up capital for female and men-owned businesses. Adding together all personal sources of capital [i.e. Personal/family savings of owner(s), Personal/family assets other than savings of owner(s), Personal/family home equity loan, Personal/business credit card(s)] reveals that 84.4% of men-owned firms rely on personal sources of capital, while 76.4% of women-owned firms rely on personal sources of capital. For both men-owned and women-owned firms personal/family savings are the predominant source of funding. The one source of personal capital that was higher for women-owned firms than for men-owned firms is personal/business credit card.

Women-owned firms had less reliance on external sources of capital than did men-owned firms (8.6% and 15.8% respectively) and fewer women-owned firms than men-owned firms reported the source of start-up capital as a business loan from a bank or financial institution (5.5% and 11.4% respectively

Overall, women-owned firms had less reliance on external sources of capital than did men-owned firms (8.6% and 15.8% respectively). Fewer women-owned firms than men-owned firms reported the source of start-up capital as a business loan from a bank or financial institution (5.5% and 11.4% respectively). Venture capitalists' investments tend to represent a very small percentage as a source of start-up funds. Table 5.1 lists the sources of start-up capital for female and men-owned firms

Table 5.1: Gendered Comparison of the Sources of Start-Up or Acquisition Capital for Women-Owned and Men-Owned Firms

Source of Start-up or Acquisition Capital	Women-Owned Firms	Men-Owned Firms
Total reported	3,677,106	7,332,754
Personal/family savings of owner(s)	2,039,841	4,551,460
	55.5%	62.1%
Personal/family assets other than savings of owner(s)	222,335	545,991
	6.0%	7.4%
Personal/family home equity loan	147,578	375,761
	4.0%	5.1%
Personal/business credit card(s)	400,632	719,374
	10.9%	9.8%
Business loan from federal, state, or local government	16,530	44,895
	0.4%	0.6%
Government-guaranteed business loan from a bank or financial institution	16,904	46,262
	0.5%	0.6%
Business loan from a bank or financial institution	200,823	832,870
	5.5%	11.4%
Business loan/investment from family/friends	67,325	199,026
	1.8%	2.7%
Investment by venture capitalist(s)	4,848	27,031
	0.1%	0.4%
Grants	10,095	9,957
	0.3%	0.1%
Other source(s) of capital	48,539	150,272
	1.3%	2%
Don't know	112,372	301,616
	3.1%	4.1%
None needed	1,114,176	1,430,891
	30.3%	19.5%

Another important difference is that women-owned firms tend to utilize lower amounts of start-up capital than do men-owned firms. The two survey categories in which women-owned firms have higher percentages than men-owned are “less than $5,000” (36.8%) and “Not Applicable” (30.9%). The percentages for men-owned for all other categories of response are greater, indicating that men-owners utilize, and perhaps have access to, higher amounts of initial capital. Table 5.2 lists the start-up capital for women and men-owned firms but excludes the don’t know and NA categories. Doing this provides a perspective on the differences between women and men-owned firms that were able to provide a response.

Table 5.2: Amount of Capital used to Start or Acquire the Business by Gender *(Excludes the Don't Know and NA Categories) (Positive difference indicates a higher percentage for men-owned firms)*

Range of Capital Amount	Men-Owned firms	Women-Owned firms	Difference
Less than $5,000	41.9%	59.0%	17.1%
$5,000 to $9,999	12.5%	11.5%	-1.0%
$10,000 to $24,999	13.6%	10.0%	-3.6%
$25,000 to $49,999	8.6%	6.2%	-2.4%
$50,000 to $99,999	8.2%	5.3%	-2.8%
$100,000 to $249,999	7.8%	4.6%	-3.2%
$250,000 to $999,999	5.4%	2.6%	-2.7%
$1,000,000 or more	2.1%	0.7%	-1.4%

Further when comparing the amount of capital for men-owned and women-owned firms by number of employees. The numbers for women- and men-owned firms, in general, follow a similar pattern with men-owned firms tending to utilize more acquisition or start-up capital than women-owned firms. Percentages are provided for the largest ($1,000,000 or more) and smallest (less than $5,000) amounts of start-up or acquisition capital in Table 5.3.

Table 5.3: Amount of Capital used to Start or Acquire the Firm Size for Women-Owned Firms by Number of Employees

	Less than $5,000	$1,000,000 or more
Women-owned, no employees	28.0%	0.6%
Men-owned, no employees	26.1%	1.7%
Women-owned, 1-4 employees	25.1%	0.5%
Men-owned, 1-4 employees	23.1%	0.9%
Women-owned, 5-9 employees	12.3%	1.0%
Men-owned, 5-9 employees	12.2%	1.8%
Women-owned, 10-19 employees	11.3%	2.3%
Men-owned, 10-19 employees	9.4%	3.5%
Women-owned, 20-49 employees	9.8%	4.1%
Men-owned, 20-49 employees	7.3%	7.1%
Women-owned, 50-99 employees	10.0%	6.1%
Men-owned, 50-99 employees	7.0%	12.9%
Women-owned, 100-499 employees	8.9%	6.6%
Men-owned, 100-499 employees	6.2%	15.6%
Women-owned, more than 500 employees	8.9%	6.9%
Men-owned, more than 500 employees	7.2%	16.5%

EXPANSION

Approximately half the surveyed firms were able to expand or make capital improvements.

A higher percentage of women-owned firms (54.5%) versus men-owned firms (44.8%) did not expand or make capital improvements.

However, there is a 10 to 15 percent gap between women-owned and men-owned firms. There is a similar difference in the number of firms acquiring business loans from a bank or financial institution. For firms that expanded or made capital improvements, 8.7% of women-owned firms obtained a business loan from a bank or financial institution while 18.8% of men-owned firms obtained loans. These differences are further reflected by the fact that 4.3% of women-owned firms who expanded did not have access to capital, compared to 2.7% for men-owned firms. Access to capital for women-owned firms remains a challenge.

Table 5.4: Sources of Expansion Capital by Women and Men-Owned Firms*

Source of expansion capital	Women-Owned Firms	Men-Owned Firms
Total number of companies	3,575,483	7,158,048
Did not expand or make capital improvement(s)	1,945,284	3,205,655
	54.5%	44.8%
Businesses that did expand or make capital improvements (Percentages based on businesses that expanded)		
Total	**1,630,199**	**3,952,393**
	45.5%	**55.2%**
Personal/family savings of owner(s)	963,136	2,182,777
	59.0%	55.2%
Personal/family assets other than savings of owner(s)	115,119	301,723
	7.0%	7.6%
Personal/family home equity loan	113,490	328,547
	6.9%	8.3%
Personal/business credit card(s)	415,402	882,258
	25.4%	22.3%
Business loan from federal, state, or local government	10,615	33,894
	0.6%	0.8%
Government-guaranteed business loan from a bank or financial institution	8,243	25,918
	0.5%	0.6%
Business loan from a bank or financial institution	142,514	746,034
	8.7%	18.8%
Business loan/investment from family/friends	26,517	83,636
	1.6%	2.1%
Investment by venture capitalist(s)	2,453	13,872
	0.1%	0.3%
Business profits and/or assets	252,040	836,437
	15.4%	21.1%
Grants	9,651	9,605

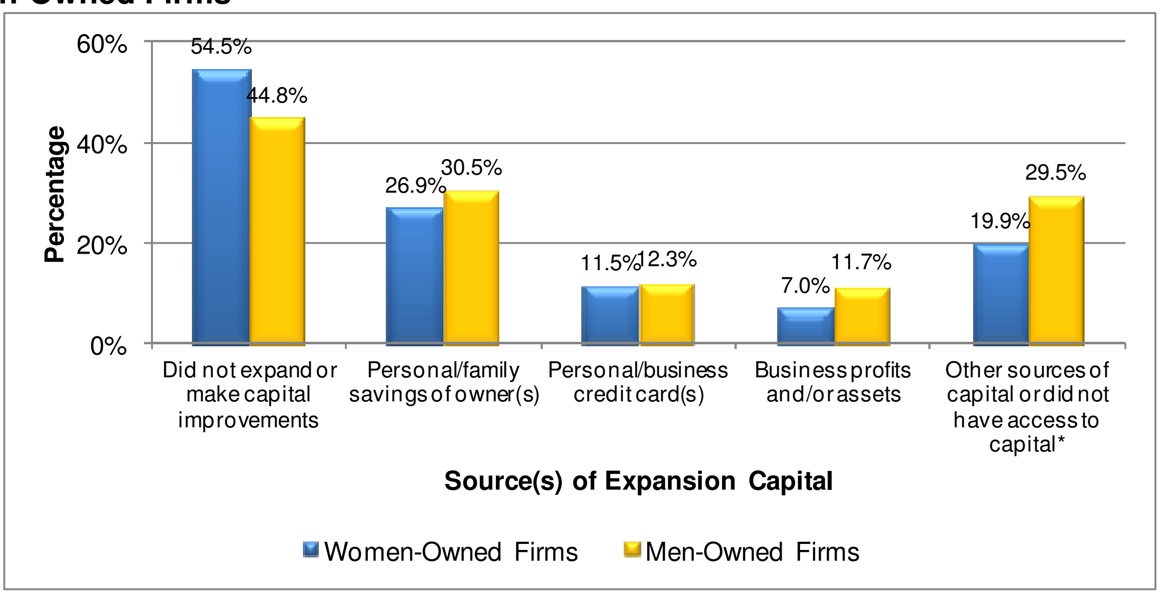
Source of expansion capital	Women-Owned Firms	Men-Owned Firms
	0.5%	0.2%
Other source(s) of capital	21,019	63,571
	1.2%	1.6%
Don't know	190,456	392,840
	11.6%	9.9%
Did not have access to capital	71,487	110,504
	4.3%	2.7%

**The survey question asked, "In 2007, were any of the following sources used to finance expansion or capital improvement(s) for this business? Mark X all that apply." The specific categories listed in the question are displayed.*

A higher percentage of women-owned firms (54.5%) versus men-owned firms (44.8%) tended to not expand or make capital improvements. Figure 5.2 displays this information.

For firms that expanded or made capital improvements, 8.7% of women-owned firms obtained a business loan from a bank or financial institution while 18.8% of men-owned firms obtained a business loan.

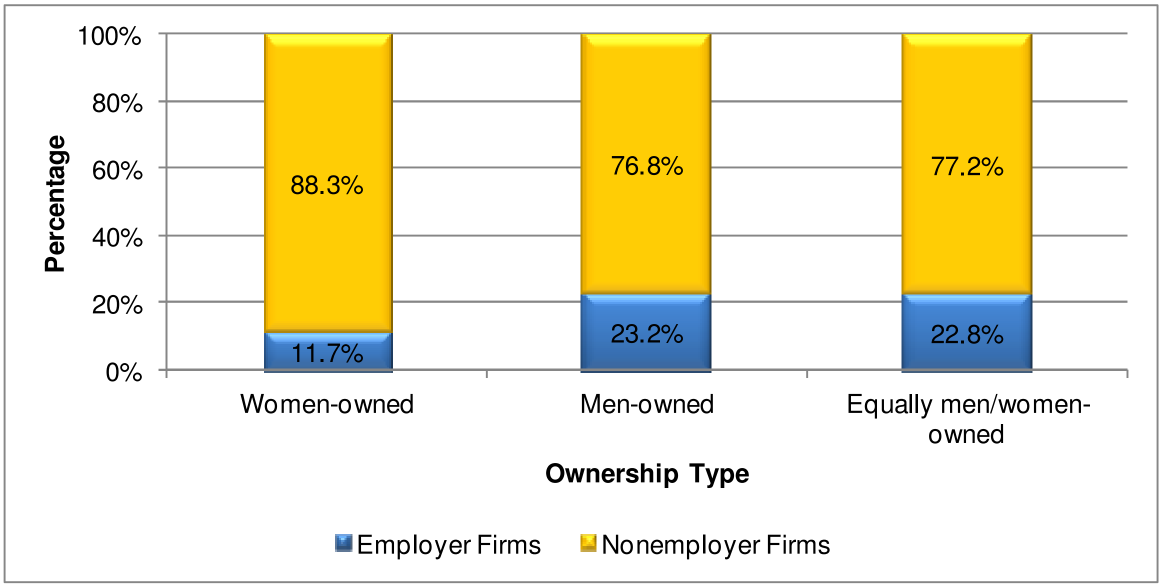
Figure 5.2: Comparison between Sources of Expansion Capital for Women and Men-Owned Firms



EMPLOYER/NONEMPLOYER FIRMS

It was discussed in a previous section that the vast majority of women-owned firms operate without paid employees (88.3%). This is also true for men-owned and equally men/women-owned firms but at lower percentages This information is displayed in Figure 5.3.

Figure 5.3: Comparison for Women and Men-Owned Employer and Nonemployer Firms

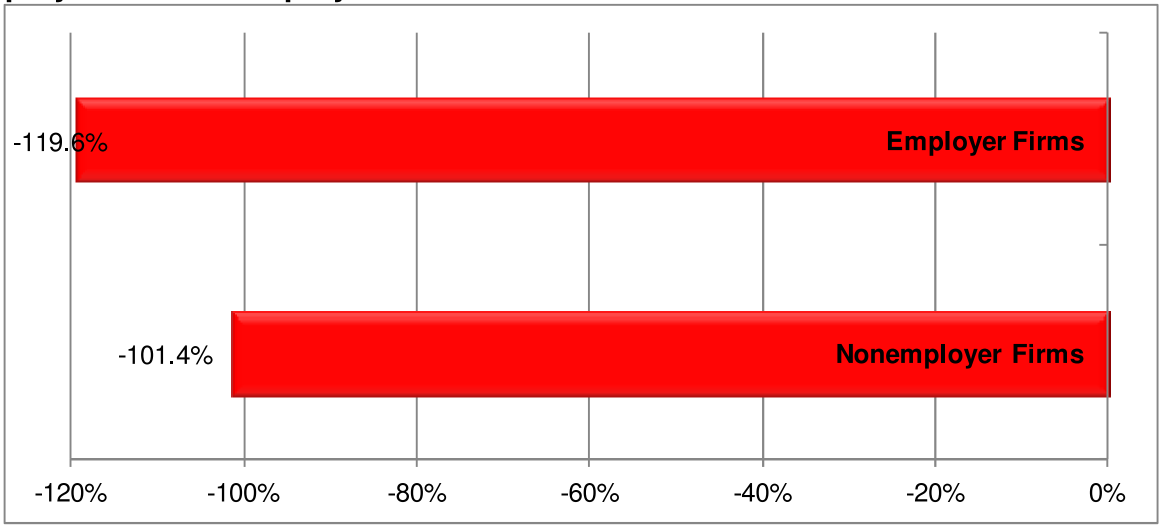


Receipts based on employer and nonemployer type are significantly lower for women-owned firms when compared to men-owned firms in firms. The actual figures are listed in Table 5.5 while the percentage differences are displayed in Figure 5.5.

Table 5.5: Comparison of Average Receipts Women and Men-Owned Employer/ Nonemployer Firms *(Negative percentage indicates women-owned firms have lower average receipts)*

Ownership Type	Employer Firms	Nonemployer Firms
Women-owned	$1,115,104	$26,479
Men-owned	$2,448,597	$53,329
Percentage Difference	-119.6%	-101.4%

Figure 5.4: Comparison of Average Receipts for Women- and Men-Owned Employer and Nonemployer Firms



RECEIPTS

Receipts by firms size is one consideration. It was noted earlier that, overall, average receipts for women-owned firms were substantially less than men-owned firms. Table 5.6 displays the difference in average receipts by industry. There are no industries where women-owned firms have average receipts that exceed men-owned firms.

Table 5.6: Average Receipts by Industry Type for Women and Men-Owned Firms

Industry	Women-Owned Firms: Average Receipts	Men-Owned Firms: Average Receipts	Percentage Difference
Accommodation and food services	$246,007	$746,862	-203.6%
Administrative and Support and Waste Management and Remediation Services	$83,482	$274,414	-228.7%
Agriculture, forestry, fishing and hunting	$75,928	$127,949	-68.5%
Arts, entertainment, and recreation	$43,733	$115,466	-164.0%
Construction	$360,628	$480,453	-33.2%
Educational services	$35,491	$116,584	-228.5%
Finance and insurance	$159,957	$589,299	-268.4%
Health care and social assistance	$74,957	$498,716	-565.3%
Industries not classified	$64,869	$151,804	-134.0%
Information	$265,906	$585,821	-120.3%
Management of companies and enterprises	$1,501,148	$1,962,426	-30.7%
Manufacturing	$1,001,124	$3,079,755	-207.6%
Mining, quarrying, and oil and gas extraction	$629,794	$920,923	-46.2%
Other services (except public administration)	$35,768	$111,355	-211.3%
Professional, scientific, and technical services	$97,645	$276,246	-182.9%

Industry	Women-Owned Firms: Average Receipts	Men-Owned Firms: Average Receipts	Percentage Difference
Real estate and rental and leasing	$89,148	$221,812	-148.8%
Retail trade	$206,990	$1,377,802	-565.6%
Transportation and warehousing	$230,419	$273,126	-18.5%
Utilities	$471,353	$1,441,591	-205.8%
Wholesale trade	$1,839,245	$4,431,128	-140.9%

There are some race/ethnicity groups in six industries that have women-owned firms with average receipts that exceed men-owned firms. In the construction industry, Hispanic, American Indian and Alaska Native, and Native Hawaiian and Other Pacific Islander women-owned firms have receipts higher than men-owned firms within their race/ethnicity categories. In the transportation industry, Hispanic, Black or African-American, and Asian firms have higher receipts than men-owned firms within their race/ethnicity categories. Table 5.7 displays the race/ethnicity groups that have higher receipts than men-owned firms in the same race/ethnicity category.

Table 5.7: Industries where Women-Owned Firms have Higher Average Receipts than Men-Owned Firms within the Race/Ethnicity Category

Industry	Number	Race/Ethnicity Groups
Agriculture, forestry, fishing and hunting	2	Asian, Native Hawaiian and Other Pacific Islander
Construction	3	Hispanic, American Indian and Alaska Native, Native Hawaiian and Other Pacific Islander
Management of companies and enterprises	2	Black or African-American, Asian
Real estate and rental and leasing	1	Native Hawaiian and Other Pacific Islander
Transportation and warehousing	3	Hispanic, Black or African-American, Asian
Utilities	1	Hispanic

INDUSTRY

The difference in receipts may be related to industries. It was pointed out in the current status section that the industries that are most prevalent for women-owned firms are other services (16.1%), health care and social assistance (15.8%), and professional, scientific, and technical services (14.1%). Other services and health care and social assistance are industries with lower average receipts when compared to other industries.

For men-owned firms, the top industries are construction (18.3%), professional scientific and technical services (14.8%), and other services (9.5%). The construction industry represents the primary difference and may be related to the difference in average receipts.

COMPARISON SUMMARY

This section delved more deeply into how women-owned firms are different than men-owned firms. How the firms start is similar. Women and men-owned firms are most likely to be founded by the owner(s). There are, however, differences as to where the capital is derived for start-up or acquisition purposes. Women-owned firms had less reliance on external sources of capital when compared to men-owned firms (8.6% for women-owned firms and 15.8% for men-owned firms). In addition, fewer women-owned firms reported the source of start-up capital came from a business loan from a bank or financial institution (5.5% for women-owned firms and 11.4% for men-owned firms).

The access to external capital may be related to the amount of capital utilized to start firms. When firm size is not considered, 30.3% of women-owned firms compared to 19.3% of men-owned firms did not require a source of start-up capital. When firm size is considered, well over half of reporting women-owned firms used less than $5K to start their firms (59.0%). Less than half of the men-owned firms used less than $5K to start their firms (41.9%). For all other categories of capital used to start or acquire the business, a higher percentage of men-owned firms reported using the specified amounts based on firm size.

Considering expansion, more than half of the men-owned firms did expand (55.2%) compared to less than half of the women-owned firms (45.5%). When the firms did expand, 8.7% of the women-owned firms obtained a business loan from a bank or financial institution compared to 18.8% of men-owned firms.

The information on access to capital, capital used to start firms, and expansion could reveal that women have less access or knowledge on how to access capital to start and expand businesses. This indicates an area for further study. If women have lower access to capital to start businesses, efforts can be made to increase access.

In terms of average receipts, women-owned firms generate lower average receipts than men-owned firms. This could be, in part, related to the most prominent industries of each gender. As noted in the current status section, the highest percentages of women-owned firms are concentrated in industries that generate the lowest average receipts of other services and health care and social assistance. This difference is maximized by the difference in average receipts in these industries. In other services, men-owned firms have average receipts 211% higher than women-owned firms. In health care and social services, men-owned firms have average receipts 565% higher than women-owned firms.

In a descriptive review, it is uncertain what policy recommendations would be appropriate. It was, in fact, highlighted in the trends section that women-owned firms have made great progress in multiple areas. It is important to recognize, however, that there are areas where women-owned firms may require greater support.

OVERALL SUMMARY

The story of women-owned firms has emerged from this analysis. The story begins with how women-owned firms start and the major industries they start in. Average receipts inform on the liquidity of the women-owned firms. The next phase of the story moves to the survivability of women-owned firms and whether they expand. The end of the story is reflected in the prevalence of female –owned firms.

THE BEGINNING

Women-owned firms, like men-owned firms, are primarily founded by their owner(s). Three-quarters of the women-owners had a vision for their business. This vision was realized to the point of business operation. To realize these visions, a great majority of women-owned firms do not require a source of capital (30.3%) or required less than $5,000 to start their firms (59.0%).

The visions pull the women-owned firms to three primary industries. Nearly half of all women-owned firms are in these industries: other services (except public administration) (16.1%), health care and social assistance (15.8%), professional, scientific, and technical services (14.1%). The top industries differ based on race/ethnicity categories. Health care and social assistance is the primary industry for Black or African-American, Hispanic, and American Indian and Alaska Native women-owned firms. Other services is the primary industry for Asian and Native Hawaiian and Other Pacific Islander women-owned firms. Professional, scientific, and technical services is the primary industry for white women-owned firms.

THE NEXT PHASE

As the vision is realized, some businesses survive and some cease operations. According to the Bureau of Labor Statistics, half of new firms survive five years and one-third last ten years. Less than one-quarter of new firms last 15 years (Small Business Administration Office of Advocacy, 2011). At the time of data collection, 78.2% of women-owned firms were still in operation. Although the SBO identified many possible causes for a business to cease operations, for women-owned firms, just over half ceased operations for some other reason.

Of the firms that do survive, there is a decision on whether the business should stay on its path or whether it should expand or make capital improvements. For women-owned firms, 45.5% elect to expand or make capital improvements. Nearly three-quarters use personal or family assets for the expansion or capital improvements. This analysis revealed that women-owned firms have less access to external capital for start-up and expansion purposes when compared to men-owned firms.

THE END RESULT

The SBO survey results reveal that there are 7.8 million women-owned firms in the U.S. The distribution of the firms generally matches the distribution of the 2007 female population. Over one-third of women-owned firms are in the South (36.8%) and one-quarter are in the West (24.5%). Approximately 20% are in the Midwest (19.9%) and Northeast (18.8%).

Just over one-quarter of all U.S. firms are women-owned (28.8%) and 17.0% are equally male/women-owned. This means that 45.8% of all women-owned firms have a female owner. In 2007, the time of the SBO data collection, the U.S. adult female population for ages 18-67 was 50.1% which indicates that women may be underrepresented in relation to the overall population proportion.

When the proportion of businesses is considered, it is noteworthy that minority women-owned firms are more highly represented by race/ethnicity category. Of all the white-owned firms, just over one-quarter of firms are owned by women. One-third or more of firms of all race/ethnicity categories are owned by women. Nearly half of all firms owned by black or African-Americans are owned by women (47.4%).

In terms of receipts, women-owned firms generate an average of $153K in average receipts which has grown 6.1% since 2002. While this is positive, the inflation rate from 2002 to 2007, according to the Bureau of Labor Statistics, is 16.1%. This indicates that average receipt growth has been outpaced by inflation rates.

THE FUTURE

As the trends over time section revealed, the end of the story presented here represents the beginning of a new story. The future will reveal if women-owned firms gain a greater foothold in society and whether the industries they elect to enter into remain the same. What is certain is that women-owned firms are making a critical contribution to the U.S. economic engine.

Notes

This analysis presents a snapshot of women-owned firms based on the 2007 SBO. It is recommended that readers consult the SBO databook which is a companion document to this report. It includes additional data presentations that will contribute to the understanding of women-owned firms. It is also recommended that readers consult the U.S. Census Bureau's data access site for SBO results. This is a robust tool that enables users to access summary information on women-owned firms and other firm types.

APPENDIX A

DEFINITIONS

GENERAL

- **Firm**: A firm is a business organization or entity consisting of one domestic establishment (location) or more under common ownership or control. All establishments of subsidiary firms are included as part of the owning or controlling firm. For the economic census, the terms "firm" and "company" are synonymous.

GENDER

- **Women-owned or female-owned**: Women own 51 percent or more of the interest or stock of the business.
- **Men-owned or male-owned**: Men own 51 percent or more of the interest or stock of the business.
- **Equally men-/women-owned or equally male-/female-owned**: A 50-percent male and 50-percent female ownership of the interest or stock of the business.

ETHNICITY

- **Hispanic or Latino**: A person of Cuban, Mexican, Puerto Rican, South or Central American, or other Spanish culture or origin, regardless of race. Data are tabulated for the following Hispanic subgroups:
  - Mexican, Mexican American, Chicano
  - Puerto Rican
  - Cuban
  - Other Hispanic, Latino, or Spanish origin
- **Not Hispanic or Latino**: A person not of Hispanic or Latino culture, regardless of race.

RACE

- **American Indian or Alaska Native**: A person having origins in any of the original peoples of North and South America (including Central America), and who maintains tribal affiliation or community attachment.
- **Asian**: A person having origins in any of the original peoples of the Far East, Southeast Asia, or the Indian subcontinent including, for example, Cambodia, China, India, Japan, Korea, Malaysia, Pakistan, the Philippine Islands, Thailand, and Vietnam. Data are tabulated for the following Asian subgroups:
  - Asian Indian
  - Chinese

    - Filipino
    - Japanese
    - Korean
    - Vietnamese
    - Other Asian
- **Black or African-American**: A person having origins in any of the black racial groups of Africa, including those who consider themselves to be "Haitian."
- **Native Hawaiian or Other Pacific Islander**: A person having origins in any of the original peoples of Hawaii, Guam, Samoa, or other Pacific Islands. Data are tabulated for the following Native Hawaiian and Other Pacific Islander subgroups:
    - Native Hawaiian
    - Samoan
    - Guamanian or Chamorro
    - Other Pacific Islander
- **White**: A person having origins in any of the original peoples of Europe, North Africa, or the Middle East.
- **Some other race**: This category includes all other responses not included in the "American Indian or Alaska Native," "Asian," "Black or African-American," "Native Hawaiian or Other Pacific Islander," and "White" race categories described above.

INDUSTRY TYPE

NAICS Code: The North American Industry Classification System (NAICS) was developed by representatives from the United States, Canada, and Mexico, and replaces each country's separate classification system with one uniform system for classifying industries. In the United States, NAICS replaces the Standard Industrial Classification, a system that Federal, State, and local governments, the business community, and the general public have used since the 1930s.

This industry classification system enables North American Free Trade Agreement (NAFTA) partners--the United States, Canada, and Mexico--to better compare economic and financial statistics and ensure that such statistics keep pace with the changing economy.

Specific Industry Types include the following:

- **Accommodation and food services:** Comprises establishments providing customers with lodging and/or preparing meals, snacks, and beverages for immediate consumption. The sector includes both accommodation and food services establishments because the two activities are often combined at the same establishment.
- **Administrative and support and waste management and remediation services:** Comprises establishments performing routine support activities for the day-to-day operations of other organizations. These essential activities are often undertaken in-house by establishments in many sectors of the economy. The establishments in this sector

specialize in one or more of these support activities and provide these services to clients in a variety of industries and, in some cases, to households. Activities performed include: office administration, hiring and placing of personnel, document preparation and similar clerical services, solicitation, collection, security and surveillance services, cleaning, and waste disposal services.

- **Agriculture, forestry, fishing and hunting:** Comprises establishments primarily engaged in growing crops, raising animals, harvesting timber, and harvesting fish and other animals from a farm, ranch, or their natural habitats.
- **Arts, entertainment, and recreation:** Includes a wide range of establishments that operate facilities or provide services to meet varied cultural, entertainment, and recreational interests of their patrons. This sector comprises (1) establishments that are involved in producing, promoting, or participating in live performances, events, or exhibits intended for public viewing; (2) establishments that preserve and exhibit objects and sites of historical, cultural, or educational interest; and (3) establishments that operate facilities or provide services that enable patrons to participate in recreational activities or pursue amusement, hobby, and leisure-time interests.
- **Construction:** Comprises establishments primarily engaged in the construction of buildings or engineering projects (e.g., highways and utility systems). Establishments primarily engaged in the preparation of sites for new construction and establishments primarily engaged in subdividing land for sale as building sites also are included in this sector.
- **Educational services:** Comprises establishments that provide instruction and training in a wide variety of subjects. This instruction and training is provided by specialized establishments, such as schools, colleges, universities, and training centers. These establishments may be privately owned and operated for profit or not for profit, or they may be publicly owned and operated. They may also offer food and/or accommodation services to their students.
- **Finance and insurance:** Comprises establishments primarily engaged in financial transactions (transactions involving the creation, liquidation, or change in ownership of financial assets) and/or in facilitating financial transactions.
- **Health care and social assistance:** Comprises establishments providing health care and social assistance for individuals. The sector includes both health care and social assistance because it is sometimes difficult to distinguish between the boundaries of these two activities. The industries in this sector are arranged on a continuum starting with those establishments providing medical care exclusively, continuing with those providing health care and social assistance, and finally finishing with those providing only social assistance. The services provided by establishments in this sector are delivered by trained professionals. All industries in the sector share this commonality of process, namely, labor inputs of health practitioners or social workers with the requisite expertise. Many of

the industries in the sector are defined based on the educational degree held by the practitioners included in the industry.

- **Industries not classified:** Comprises establishments where no NAICS coding information is available.
- **Information:** Comprises establishments engaged in the following processes: (a) producing and distributing information and cultural products, (b) providing the means to transmit or distribute these products as well as data or communications, and (c) processing data.
- **Management of companies and enterprises:** Comprises (1) establishments that hold the securities of (or other equity interests in) companies and enterprises for the purpose of owning a controlling interest or influencing management decisions or (2) establishments (except government establishments) that administer, oversee, and manage establishments of the company or enterprise and that normally undertake the strategic or organizational planning and decision making role of the company or enterprise. Establishments that administer, oversee, and manage may hold the securities of the company or enterprise.
- **Manufacturing:** Comprises establishments engaged in the mechanical, physical, or chemical transformation of materials, substances, or components into new products. The assembling of component parts of manufactured products is considered manufacturing.
- **Mining, quarrying, and oil and gas extraction:** Comprises establishments that extract naturally occurring mineral solids, such as coal and ores; liquid minerals, such as crude petroleum; and gases, such as natural gas. The term mining is used in the broad sense to include quarrying, well operations, beneficiating (e.g., crushing, screening, washing, and flotation), and other preparation customarily performed at the mine site, or as a part of mining activity.
- **Other services (except public administration):** Comprises establishments engaged in providing services not specifically provided for elsewhere in the classification system. Establishments in this sector are primarily engaged in activities, such as equipment and machinery repairing, promoting or administering religious activities, grant making, advocacy, and providing dry cleaning and laundry services, personal care services, death care services, pet care services, photofinishing services, temporary parking services, and dating services.
- **Professional, scientific, and technical services:** Comprises establishments that specialize in performing professional, scientific, and technical activities for others. These activities require a high degree of expertise and training. The establishments in this sector specialize according to expertise and provide these services to clients in a variety of industries and, in some cases, to households. Activities performed include: legal advice and representation; accounting, bookkeeping, and payroll services; architectural, engineering, and specialized design services; computer services; consulting services; research services; advertising services; photographic services; translation and

interpretation services; veterinary services; and other professional, scientific, and technical services.

- **Real estate rental and leasing:** Comprises establishments primarily engaged in renting, leasing, or otherwise allowing the use of tangible or intangible assets, and establishments providing related services. The major portion of this sector comprises establishments that rent, lease, or otherwise allow the use of their own assets by others. The assets may be tangible, as is the case of real estate and equipment, or intangible, as is the case with patents and trademarks.
- **Retail trade:** Comprises establishments engaged in retailing merchandise, generally without transformation, and rendering services incidental to the sale of merchandise.
- **Transportation and warehousing:** Industries providing transportation of passengers and cargo, warehousing and storage for goods, scenic and sightseeing transportation, and support activities related to modes of transportation. Establishments in these industries use transportation equipment or transportation related facilities as a productive asset. The type of equipment depends on the mode of transportation. The modes of transportation are air, rail, water, road, and pipeline.
- **Utilities:** Comprises establishments engaged in the provision of the following utility services: electric power, natural gas, steam supply, water supply, and sewage removal. Within this sector, the specific activities associated with the utility services provided vary by utility: electric power includes generation, transmission, and distribution; natural gas includes distribution; steam supply includes provision and/or distribution; water supply includes treatment and distribution; and sewage removal includes collection, treatment, and disposal of waste through sewer systems and sewage treatment facilities.
- **Wholesale trade:** Comprises establishments engaged in wholesaling merchandise, generally without transformation, and rendering services incidental to the sale of merchandise. The merchandise described in this sector includes the outputs of agriculture, mining, manufacturing, and certain information industries, such as publishing.

APPENDIX B

U. S. CENSUS BUREAU SURVEY PROCEDURES

SBO METHODOLOGY

The survey methodology is taken verbatim from http://www.census.gov/econ/sbo/methodology.html. Please visit this link for additional information on survey procedures

The 2007 Survey of Business Owners (SBO) questionnaire, Form SBO-1, was mailed to a random sample of businesses selected from a list of all firms operating during 2007 with receipts of $1,000 or more, except those classified in the following NAICS industries:

- Crop and Animal Production (NAICS 111, 112)
- Scheduled Passenger Air Transportation (NAICS 481111)
- Rail Transportation (NAICS 482)
- Postal Service (NAICS 491)
- Funds, Trusts, and Other Financial Vehicles (NAICS 525)
- Religious, Grantmaking, Civic, Professional, and Similar Organizations (NAICS 813)
- Private Households (NAICS 814)
- Public Administration (NAICS 92)

The list of all firms (or universe) was compiled from a combination of business tax returns and data collected on other economic census reports. The Census Bureau obtained electronic files from the Internal Revenue Service (IRS) for all companies reporting any business activity on any one of the following 2007 IRS tax forms:

- 1040 Schedule C, "Profit or Loss from Business" (Sole Proprietorship)
- 1065, "U.S. Return of Partnership Income"
- any one of the 1120 corporation tax forms
- 941, "Employer's Quarterly Federal Tax Return"
- 944, "Employer's Annual Federal Tax Return"

The IRS provided certain identification, classification, and measurement data for businesses filing those forms.

For most firms with paid employees, the Census Bureau also collected employment, payroll, receipts, and kind of business for each plant, store, or physical location during the 2007 Economic Census.

For the 2007 SBO, firms could either report electronically by using Census Taker, the Census Bureau's secure online interactive application, or return their completed form by mail. Three report form remails to employer firms and two report form remails to nonemployer firms were conducted at one-month intervals to all delinquent respondents. The returned forms underwent extensive review and computer processing. All reports were geographically coded, data-keyed, and edited. The editing process identified records with significant problems. Corrections were performed interactively using standard procedures.

The data were then tabulated by the 2007 NAICS, subjected to further data analysis, and the resulting corrections applied to individual computer records. Corrected tabulations were then produced for the final published results available through American FactFinder (AFF), the Census Bureau's online, self-service data access tool.

The 2007 SBO-1 report form is available at http://www2.census.gov/econ/sbo/sample_forms/sbo1_2007.pdf.

A more detailed examination of census methodology is presented in the *History of the 2007 Economic Census* at http://www.census.gov/econ/census07/www/methodology/history.html.

INDUSTRY CLASSIFICATION OF FIRMS

A firm is a business organization or entity consisting of one domestic establishment (location) or more under common ownership or control. All establishments are included as part of the owning or controlling firm. For the economic census, the terms "firm" and "company" are synonymous.

The classifications for all firms are based on the *North American Industry Classification System, United States, 2007* manual. Changes between 2002 and 2007 are discussed in the text at the beginning of this manual and are published online at http://www.census.gov/epcd/naics07.

Firms with more than one domestic establishment are counted in each industry and geographic area in which they operate, but only once in the total for all sectors and the totals at the national and state levels. The method of assigning classifications and the level of detail at which single- or multi-unit firms were classified depends on whether an economic census report form was obtained at the establishment level.

1. Establishments that returned an economic census report form were classified on the basis of their self-designation, product sales or shipments, and responses to other industry-specific inquiries.
2. Establishments without an economic census report form:
    a. Small employers not sent a form were, where possible, classified on the basis of the most current kind-of-business or industry classification available from one of the Census Bureau's current sample surveys or the 2007 Economic Census. Otherwise, the classification was obtained from administrative records of other federal agencies. If the census or administrative record classifications proved inadequate (none corresponded to a 2007 Economic Census classification in the detail required for employers), the firm was sent a brief inquiry requesting information necessary to assign a kind-of-business or industry code.
    b. Nonemployers were classified on the basis of information obtained from administrative records of other federal agencies.

PRECAUTIONS IN ANALYZING AND INTERPRETING DATA

The SBO covers both firms with paid employees and firms with no paid employees. Although firms with no paid employees are included in this survey, they are omitted from many of the economic census reports. Because the 2007 SBO includes firms with no paid employees, caution should be exercised in comparing 2007 SBO data with published or unpublished data from other reports of the 2007 Economic Census.

All survey and census results contain measurement errors and may contain sampling errors. Information about these potential errors is provided or referenced with the data or the source of the data. The Census Bureau recommends that data users incorporate this information into their analyses as these errors could impact inferences. Researchers analyzing data to create their own estimates are responsible for the validity of those estimates and should not cite the Census Bureau as the source of the estimates but only as the source of the core data.

Please contact the Census Bureau for more detailed information and interpretation of the sampling and nonsampling errors.

BASIS OF REPORTING

The Economic Census is conducted on an establishment basis. A company operating at more than one location is required to file a separate report for each store, factory, shop, or other location. Each establishment is assigned a separate industry classification based on its primary activity and not that of its parent company. (For selected industries, only payroll, employment, and classification are collected for individual establishments, while other data are collected on a consolidated basis.)

The Survey of Business Owners (SBO) is conducted on a company or firm basis rather than an establishment basis. A company or firm is a business consisting of one or more domestic establishments that the reporting firm specified under its ownership or control at the end of 2007.

SAMPLING AND ESTIMATION METHODOLOGIES

Sampling. To design the 2007 SBO sample, the Census Bureau used the following sources of information to estimate the probability that a business was minority- or women-owned:

- Administrative data from the Social Security Administration.
- Lists of minority- and women-owned businesses published in syndicated magazines, located on the Internet, or disseminated by trade or special interest groups.
- Word strings in the company name indicating possible minority ownership (derived from 2002 survey responses).
- Racial distributions for various state-industry classes (derived from 2002 survey responses) and racial distributions for various ZIP Codes.
- Gender, ethnicity, race, and veteran status responses of a single-owner business to a previous SBO or to the 2000 Decennial Census.

These probabilities were then used to place each firm in the SBO universe in one of nine frames for sampling:

- American Indian
- Asian
- Black or African-American
- Hispanic
- Non-Hispanic white men
- Native Hawaiian and Other Pacific Islander
- Other (a different race was supplied as a write-in to another source)
- Publicly owned
- Women

The SBO universe was stratified by state, industry, frame, and whether the company had paid employees in 2007. The Census Bureau selected large companies, including those operating in more than one state, with certainty. These companies were selected based on volume of sales, payroll, or number of paid employees. All certainty cases were sure to be selected and represented only themselves (i.e., had a selection probability of one and a sampling weight of one). The certainty cutoffs varied by sampling stratum, and each stratum was sampled at varying rates, depending on the number of firms in a particular industry in a particular state. The remaining universe was subjected to stratified systematic random sampling.

A firm selected into the sample was mailed the questionnaire that asked for the percentage of ownership, gender, ethnicity, race, veteran status, and several characteristic questions (e.g., age, education level) for up to four persons owning the largest percentages in the business.

Tabulation. Business ownership is defined as having 51 percent or more of the stock or equity in the business and is categorized by:

- All firms classifiable by gender, ethnicity, race, and veteran status
  - Gender
    - Female-owned
    - Male-owned
    - Equally male-/female-owned
  - Ethnicity
    - Hispanic
      - Mexican, Mexican American, Chicano
      - Puerto Rican
      - Cuban
      - Other Hispanic, Latino, or Spanish origin
    - Equally Hispanic/non-Hispanic

        - Non-Hispanic
    - Race
        - White
        - Black or African-American
        - American Indian and Alaska Native
        - Asian
            - Asian Indian
            - Chinese
            - Filipino
            - Japanese
            - Korean
            - Vietnamese
            - Other Asian
        - Native Hawaiian and Other Pacific Islander
            - Native Hawaiian
            - Samoan
            - Guamanian or Chamorro
            - Other Pacific Islander
        - Some other race
        - Minority
        - Equally minority/nonminority
        - Nonminority
    - Veteran status
        - Veteran-owned
        - Equally veteran-/nonveteran-owned
        - Nonveteran-owned
- Publicly held and other firms not classifiable by gender, ethnicity, race, and veteran status

Businesses could be tabulated in more than one racial group because:

a. the sole owner was reported to be of more than one race;
b. the majority owner was reported to be of more than one race;
c. a majority combination of owners was reported to be of more than one race.

The detail may not add to the total or subgroup total because a Hispanic or Latino firm may be of any race, and because a firm could be tabulated in more than one racial group. For example, if a firm responded as both Chinese and Black majority owned, the firm would be included in the detailed Asian and Black estimates, but would only be counted once toward the higher level all firms' estimates.

The sum of the detailed Hispanic origin may not add to the total because no one Hispanic subgroup (i.e., Mexican, Puerto Rican, Cuban, or Other Hispanic, Latino, or Spanish origin) owned a majority of the firm, but a combination of these subgroups did own a majority. In this case, the firm was included in the Hispanic estimate, but was not included in any of the subgroup estimates. For example, if a firm had two owners each with equal ownership, one responding Puerto Rican and the other responding Cuban, there is no one subgroup with a majority ownership, but the firm is Hispanic-owned. This firm would be tabulated in the Hispanic estimate, but would not appear in any of the subgroup estimates.

Also, the subgroup detail for both Asians and Native Hawaiians and Other Pacific Islanders may not add to the total for similar reasons as explained above.

For the tabulations by gender, ethnicity, race, and veteran status, the data for each firm in the SBO sample were weighted by the reciprocal of the firm's probability of selection.

RELIABILITY OF ESTIMATES

The figures shown in these datasets are, in part, estimated from a sample and will differ from the figures that would have been obtained from a complete census. Two types of possible errors are associated with estimates based on data from sample surveys: sampling errors and nonsampling errors. The accuracy of a survey result depends not only on the sampling errors and nonsampling errors measured, but also on the nonsampling errors not explicitly measured. For particular estimates, the total error may considerably exceed the measured error. The following is a description of the sampling and nonsampling errors associated with this tabulation.

Sampling variability. The particular sample used for this survey is one of a large number of all possible samples of the same size that could have been selected using the same sample design. Estimates derived from the different samples would differ from each other. The relative standard error and standard error are measures of the variability among the estimates from all possible samples. The estimated relative standard errors and estimated standard errors presented in the tables estimate the sampling variability, and thus measure the precision with which an estimate from the particular sample selected for this survey approximates the average result of all possible samples. Relative standard errors and standard errors are applicable only to those published cells in which sample cases are tabulated. A relative standard error is an expression of the standard error as a percent of the quantity being estimated.

The sample estimate and an estimate of its relative standard error can be used to estimate the standard error and then construct interval estimates with a prescribed level of confidence that the interval includes the average results of all samples. To illustrate, if all possible samples were surveyed under essentially the same condition, and estimates calculated from each sample, then:

1. Approximately 68 percent of the intervals from one standard error below the estimate to one standard error above the estimate would include the average value of all possible samples.
2. Approximately 90 percent of the intervals from 1.6 standard errors below the estimate to 1.6 standard errors above the estimate would include the average value of all possible samples.

Thus, for a particular sample, one can say with specified confidence that the average of all possible samples is included in the constructed interval.

Example of a confidence interval. Suppose the estimate is 51,707 and the estimated relative standard error is 2 percent. The standard error is then 2 percent of 51,707 or 1,034. An approximate 90-percent confidence interval is found by first multiplying the standard error by 1.6 and then adding and subtracting that result from the estimate to obtain the upper and lower bounds. Since 1.6 x 1,034 = 1,654, the confidence interval in this example is 51,707 + or - 1,654 or the range 50,053 to 53,361.

For the *Characteristics of Businesses* and *Characteristics of Business Owners* datasets, some data are expressed as percentages with standard errors rather than relative standard errors as indicated above. Construction of the confidence interval is illustrated by the following example.

Example of a confidence interval for percentage data. Suppose the estimate is 76.9 and the estimated standard error is 0.4 percent. An approximate 90-percent confidence interval is found by first multiplying the standard error by 1.6 and then adding and subtracting that result from the estimate to obtain the upper and lower bounds. Since 1.6 x 0.4 = 0.64, the confidence interval in this example is 76.9 + or - 0.64 or the range 76.26 to 77.54.

Nonsampling errors. All surveys and censuses are subject to nonsampling errors. Nonsampling errors are attributable to many sources, including the inability to obtain information for all cases in the universe, imputation for missing data, data errors and biases, mistakes in recording or keying data, errors in collection or processing, and coverage problems.

While explicit measures of the effects of these nonsampling errors are not available, adjustments are made to the published relative standard errors to account for error associated with imputation of missing data. It is believed that most of the important operational and data errors were detected and corrected through an automated data edit designed to review the data for reasonableness and consistency. Quality control techniques were used to verify that operating procedures were carried out as specified.

Unpublished estimates. Some unpublished estimates can be derived directly from datasets by subtracting published estimates from their respective totals. However, the estimates obtained by such subtraction would be subject to poor response, high sampling variability, or other factors that may make them potentially misleading.

Individuals who use estimates in datasets to create new estimates should cite the Census Bureau as the source of only the original estimates.

TREATMENT OF NONRESPONSE

Treatment of Nonresponse. Approximately 62 percent of the 2.3 million businesses in the SBO sample responded to the survey, compared to 75 percent for the 2002 survey. For the 2007 survey, 72 percent of the companies in the SBO sample returned a questionnaire, but 10 percent of the returns did not contain enough information to be considered a response for the estimates by race, gender, ethnicity or veteran status. Many of these respondents were sole proprietors that answered "No" to Item 8, "In 2007, did any individual own 10% or more of the rights, claims, interests, or stock in this business?" The inconsistency between response and sole ownership status indicates a possible problem with question wording that will be addressed in questionnaire design for the 2012 SBO.

About 4 percent of the 2007 nonrespondents were selected for and responded to the 2002 SBO. For these firms, data from the 2002 survey were used in place of the missing 2007 responses. For the remaining nonrespondents, gender, ethnicity, race and veteran status were imputed from donor respondents in the same sampling frame with similar characteristics (state, industry, employment status, size). Because the assignment of businesses to sampling frames relies heavily on administrative data, and there is a high level of agreement between sampling frame assignment and tabulated race or ethnicity for responding firms, the donor imputations are considered to be reliable. Estimates of sampling variability are adjusted to account for nonresponse. Estimates with high error (relative standard error for sales or receipts of 50 percent or more) are suppressed.

Overall, imputed data accounted for approximately 47 percent of the firm count estimates by gender, ethnicity, race, and veteran status and approximately 20 percent of the estimates of sales.

FIRM SIZE CATEGORIES

The firm size categories, both by receipts and employment, are based on the total nationwide receipts and/or employment of the firm.

The revenue and employment of a multi-unit firm is determined by summing the receipts and employment, respectively, of all associated establishments. The receipts size and employment size of a firm are determined by the summed revenue or employment of all associated establishments. The employment size group "0" includes firms for which no associated establishments reported paid employees in the mid-March pay period, but paid employees at some time during the year.

Receipts size and employment size are determined for the entire company. Hence, counterintuitive results are possible, for example, only 100 employees in a category of firms with 500 employees or more in a particular industry.

Data by receipts size of firm are presented by the following receipts size categories:

- All firms
- Firms with sales/receipts of less than $5,000
- Firms with sales/receipts of $5,000 to $9,999
- Firms with sales/receipts of $10,000 to $24,999
- Firms with sales/receipts of $25,000 to $49,999
- Firms with sales/receipts of $50,000 to $99,999
- Firms with sales/receipts of $100,000 to $249,999
- Firms with sales/receipts of $250,000 to $499,999
- Firms with sales/receipts of $500,000 to $999,999
- Firms with sales/receipts of $1,000,000 or more

Data by employment size of firm are presented by the following employment size categories:

- All firms
- Firms with no employees
- Firms with 1 to 4 employees
- Firms with 5 to 9 employees
- Firms with 10 to 19 employees
- Firms with 20 to 49 employees
- Firms with 50 to 99 employees
- Firms with 100 to 499 employees
- Firms with 500 to 999 employees
- Firms with 1,000 or more employees

Employer firms include firms with payroll at any time during 2007. Employment reflects the number of paid employees during the March 12 pay period.

DISCLOSURE

Confidentiality. In accordance with federal law governing census reports (Title 13 of the United States Code), no data are published that would disclose the operations of an individual establishment or business. However, the number of firms in a kind-of-business or industry classification is not considered a disclosure; therefore, this information may be released even though other information is withheld. Techniques employed to limit disclosure are discussed at http://www.census.gov/econ/census07/www/methodology/disclosure.html.

The information and data obtained from the Internal Revenue Service, the Social Security Administration, and other sources are also treated as confidential and can be seen only by Census Bureau employees sworn to protect the data from disclosure.

Disclosure avoidance. Disclosure is the release of data that have been deemed confidential. It generally reveals information about a specific individual or firm or permits deduction of sensitive information about a particular individual or establishment. Disclosure avoidance is the process used to protect the confidentiality of the survey data provided by an individual or firm. Using disclosure avoidance procedures, the Census Bureau modifies or removes the characteristics that put confidential information at risk of disclosure. Although it may appear that a table shows information about a specific individual or business, the Census Bureau has taken steps to disguise or suppress the original data while making sure the results are still useful. The techniques used by the Census Bureau to protect confidentiality in tabulations vary, depending on the type of data.

Noise infusion. For the 2007 SBO, the primary method of disclosure avoidance is noise infusion in which values are perturbed prior to tabulation by applying a random noise multiplier to the magnitude data, such as the sales and receipts for all firms. Disclosure protection is accomplished in a manner that causes the vast majority of cell values to be perturbed by at most a few percentage points. For sample-based tabulations, such as SBO, the estimated relative standard error for a published cell includes both the estimated sampling error and the amount of perturbation in the estimated cell value due to noise.

In certain circumstances some individual cells may be suppressed on a case by case basis for additional disclosure avoidance and the data replaced by one of the following characters:

- D - Withheld to avoid disclosing data for individual companies; data are included in higher level totals
- S - Estimates are suppressed when publication standards are not met, such as the relative standard error of the sales and receipts is 50 percent or more
- X - Not applicable

To provide meaningful information for cells that have suppression of sensitive employment data, these characters are used to indicate the employment size of firm:

- a - 0 to 19 employees
- b - 20 to 99 employees

- c - 100 to 249 employees
- e - 250 to 499 employees
- f - 500 to 999 employees
- g - 1,000 to 2,499 employees
- h - 2,500 to 4,999 employees
- i - 5,000 to 9,999 employees
- j - 10,000 to 24,999 employees
- k - 25,000 to 49,999 employees
- l - 50,000 to 99,999 employees
- m - 100,000 employees or more