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[Feature Story]

## Women-Owned Businesses A Rapidly Growing Economic Force

By Patrick Dalton

Studies show that women business-owners generally are smart, savvy, willing to take risks and, most important, increasing at a rate that no bank should ignore.

"We have seen now for the past two decades that the number of women-owned businesses has been increasing at twice the rate of all businesses," said Sharon Hadary, executive director, Center for Women's Business Research, Washington, D.C.

"In fact, when we drill down to the period between 1997 and 2006, the number of women-owned businesses grew by 42 percent compared to only 24 percent for all businesses," Hadary said. "That means in the United States today there are 10.4 million businesses that are 50 percent or more owned by a woman."

Those businesses employ 12.8 million people, generate almost \$2 trillion in sales, and account for 40 percent of all privately held businesses, she said. To look at it another way, one in every 11 adult women is a business owner.

Banks also should realize the profile of the women who are starting and running businesses has changed dramatically during the past 20 years, said Hadary, who spoke at a recent ABA telephone briefing. (For more information on ABA telephone briefings, go to [http://www.aba.com/teleweb/TB\\_calendar.htm](http://www.aba.com/teleweb/TB_calendar.htm).)

"It is important to understand that you cannot build your programs, your marketing strategy, your approaches based on the women who started their businesses 20 or 25 years ago, because women business-owners are coming to business ownership today with much higher levels of previous work experience," she said.

"They are more likely than their predecessors -- who tended to be in administrative and clerical positions -- to be in managerial, professional, and many of them, executive positions," Hadary explained. "They have higher levels of education. Their goals are focused more on business growth, and their goals for business growth are more aggressive. They are more likely to seek and get both credit and equity. And they're more willing to take financial risks to achieve their growth goals."

This is reflected in the rise of women-owned businesses that have more than \$1 million in revenue, Hadary emphasized. "There's over a quarter of a million women-owned firms with \$1 million or more in revenues, which is about 3 percent of all women-owned firms," she said. "But before you dismiss this as not being very substantial, let's understand that only 6 percent of men-owned businesses are over \$1 million. So we have a growing group, and we're beginning to see that it's not just over a \$1 million, but it's up into the much higher levels of revenue."

For example, more than 15 percent of women-owned firms in the \$1 million club generate revenues of \$5 million or more, and 73 percent have 10 or more employees.

"Furthermore, women-owned businesses are investing over half a trillion dollars in salaries and benefits," Hadary said. "For those ... who are looking at providing services and products in some of these areas, this certainly gives you a sense of that market."

Hadary said some key factors to remember when dealing with women business-owners are:

- **Despite impressions to the contrary, they are willing to take investment risks.** “Fifty-six percent of women business-owners are willing to take substantial or above-average risks when investing for their households. When we look at their investment for the business, that number goes up to 66 percent who say that they will take substantial or above-average risks,” she said.

“Women business-owners report that they are the primary decision-makers when it comes to financial products and services, and philanthropy -- both for their business and the home,” Hadary added. “So these are women who are the decision-makers, and they are an important audience for [bankers].”

- **They want facts and want their questions thoroughly answered.** Hadary explained that women are much more likely to use right-brain thinking, which emphasizes values, relationship-building and intuition, while men tend to use left-brain thinking, characterized by logic, hierarchy and fact.

Bankers should understand, however, that women’s decision-making process involves “half and half,” she said. “Indeed, they emphasize values, and they emphasize relationship-building and intuition. But they also want the facts, they want the logic, they want information, and they will ask [many] questions to get the knowledge that they need,” Hadary said.

- **They are more consultative and therefore take longer to make decisions.** “Time and again when we’ve asked the question about where you get the information to run your business, about technology, about finance, and compare women and men business-owners, we find that women are much more likely to consult with others,” she said.

“They consult with a greater variety of advisers ... so whether it’s an accountant, a lawyer, other women business-owners, their employees, their customers, they do tend to be consultative,” Hadary stressed. “The result, given their preference, women take longer than men business-owners to make the decision about a service-provider.”

- **They are loyal, which makes the decision worth the wait.** “They are not only loyal in staying with you, but in recommending and endorsing you to others,” she said.

“The impact on employees [also] is a much greater factor in making business decisions for women than it is for men business-owners.”

- **A service-provider’s reputation is very important to them.** “The company’s reputation for service, the company’s support for women business-owners and community involvement really create an environment and perception of the company that ... opens the door for the individual who is out making the sales call,” Hadary said.

- **They consciously use the same products personally and in business.** “Eighty-six percent of women business-owners use the same product or service in their personal lives as they do in their business lives, and 68 percent say they do it consciously,” she said. “If you’re not marketing both business services and personal services to a women business-owner, you’re leaving money on the table.”