

WOMEN IN BUSINESS: LEVELING THE PLAYING FIELD

ROUNDTABLE

BEFORE THE

COMMITTEE ON SMALL BUSINESS
AND ENTREPRENEURSHIP

UNITED STATES SENATE

ONE HUNDRED TENTH CONGRESS

SECOND SESSION

MARCH 19, 2008

Printed for the use of the Committee on Small Business and Entrepreneurship



Available via the World Wide Web: <http://www.access.gpo.gov/congress/senate>

U.S. GOVERNMENT PRINTING OFFICE

42-396 PDF

WASHINGTON : 2008

For sale by the Superintendent of Documents, U.S. Government Printing Office
Internet: bookstore.gpo.gov Phone: toll free (866) 512-1800; DC area (202) 512-1800
Fax: (202) 512-2250 Mail: Stop SSOP, Washington, DC 20402-0001

COMMITTEE ON SMALL BUSINESS AND ENTREPRENEURSHIP

ONE HUNDRED TENTH CONGRESS

SECOND SESSION

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WOMEN IN BUSINESS: LEVELING THE PLAYING FIELD Wednesday, March 19, 2008

WEDNESDAY, MARCH 19, 2008

UNITED STATES SENATE,
COMMITTEE ON SMALL BUSINESS AND
AND ENTREPRENEURSHIP,
Framingham, Massachusetts.

The Committee met, pursuant to notice, at 10 a.m. in room 319, Justin D. McCarthy College Center, Framingham State College, the Honorable John F. Kerry (Chairman of the Committee) presiding.

Present: Senator Kerry.

OPENING STATEMENT OF THE HONORABLE JOHN F. KERRY, CHAIRMAN, SENATE COMMITTEE ON SMALL BUSINESS AND ENTREPRENEURSHIP, AND A UNITED STATES SENATOR FROM MASSACHUSETTS

Chairman KERRY. Well, good morning. I am sorry to get you away from the coffee. Let me officially call this roundtable to order because this is an official roundtable of the Small Business Committee, what we call a roundtable hearing.

And as a result, every word will be formally recorded as part of the Committee record, and this will be circulated among the staff of the Committee and shared with my colleagues down in Washington.

I want to assure you that this topic is a particularly important topic to the Committee. My Ranking Member, Senator Olympia Snowe of Maine, joined me in raising a series of serious questions to the SBA Administrator regarding the inadequacy of the women's procurement targets, the current application of the rules as they seem to be drafting them with respect to our efforts to augment certain businesses' access to procurement and inclusion in that process, not to mention the women business centers and other efforts. So there is a lot on the table in front of the Committee.

I want to say to all of you here that I am particularly grateful to this group coming together. I want to thank my colleague in government, Pam Richardson here, who is the State Representative and represents us, for taking time and coming to be with us this morning, and all of you. I was looking through all of your resumes and background that you kindly sent in, and just couldn't help but be impressed by the remarkable breadth of experience that is represented at this table.

A lot of you have been involved in government. A lot of you have been in some teaching. All of you engaged in this effort in one way

or another, and it is just a wealth of experience sitting around this table. So I am confident we are going to have a very productive session, a good discussion and a healthy analysis of the things we need to do to deal with these issues.

Obviously, women's entrepreneurship is important, not just from an economic point of view for all of the obvious reasons, but also there are issues that arise in terms of the social structure and fiber of the Nation and how we do that. A lot of people aren't aware of it, but 30 percent of all of our businesses in the country, which amounts to about 7.7 million businesses, are 51 percent or more owned by women. They employ over 7 million people, generate \$1.1 trillion in sales annually.

In Massachusetts, we have over 189,000 businesses that are majority owned by women, and they generate about \$30 billion in sales, employing 177,000-plus people here in our State. Between 1997 and 2006, the number of majority-owned firms—women-owned, majority-owned firms grew by 42 percent, almost double the growth that was seen among all firms.

So this is a big opportunity, big deal in terms of how effectively we are responding within our traditional institutions to some challenges of access to capital, technical expertise, assistance, and other kinds of things. The downside of the statistics illustrate that, despite the recent successes, women-owned businesses still have lower revenue and fewer employees than their male counterparts.

And although 6 percent of men-owned businesses have revenues of \$1 million or more, only 3 percent of all women-owned firms have those kinds of revenues. In regard to employment, only 16 percent of all firms with employees are owned by women. Even in Federal procurement, women-owned firms receive less than 4 percent of all Federal procurement, and that is below the target that we established within the Congress. And the difference, incidentally, is approximately \$6 billion of revenues that could be going to women-owned firms, were we to meet those goals. So those goals are not trivial by any sense of the imagination.

The hurdles that stand in the way, as I am sure all of you will discuss this morning—and we can flesh it out a little bit—that stand in the way of women reaching their full economic potential in the country don't just obviously hurt that particular individual, but they have an impact downstream and in the community.

Studies have shown that entrepreneurship correlates positively with increased income and decreased poverty among women. And since almost a quarter of all households with children who are under 18 are headed by a woman, that success obviously translates into a benefit for children, as well as for the community itself.

In global context, there is also an importance to the role of women within business. Last week, Goldman Sachs announced a \$100 million project to educate 10,000 women globally about business. And the project is based on the research that shows that educating women about business leads to higher wages, better health, and improved economic returns to the community at large.

Sometimes there is a sense in Washington that, well, haven't we dealt with this? We have put the laws on the books. We have dealt with the issue of women's access to capital and any of the problems that affect women's participation. And some people try to dismiss

some of the problems as sort of the inherent issues of being the prime caretaker of children and/or sometimes the prime household manager, and they kind of shove it aside in that regard.

But according to accounts heard by us already in the hearings that we have had on these issues, women who seek to start and especially grow a business face fundamentally higher hurdles than men, and that is what we want to talk about today.

It is not always that the hurdles are different. Everybody faces the hurdle of getting access to capital. But there are additional obstacles in that process of getting access to capital that people need to understand and that we need to define.

So, in today's roundtable, we are going to kind of explore that a little bit, and we really want to hear your thoughts about it. We want to discuss ways to approach those problems, and I encourage everybody here to be open and free-wheeling.

We have found that there is a great advantage to this process of having a roundtable rather than just sort of a standard hearing, because it allows much more interactivity and point-counterpoint, and it allows witnesses to interact with each other. And it produces, in many ways, a much stronger and more effective record for our approach to these kinds of issues.

So the standard way we proceed in the Small Business Committee is to ask you to just take your name card, if you want to be heard, put it up like that, and then I kind of go around, and that is the best way to do it. And we will flag everybody from that point on.

So let me turn to my good cohort in these efforts, Representative Richardson, and ask her if she would like to share some thoughts?

Representative RICHARDSON. Sure, I would. Thank you. I am going to scootch over a little bit because there is a weird table leg thing impeding the way I can sit.

Chairman KERRY. No, that is not a problem.

**STATEMENT OF THE HONORABLE PAMELA RICHARDSON,
STATE REPRESENTATIVE, MASSACHUSETTS HOUSE OF REP-
RESENTATIVES, BOSTON, MASSACHUSETTS**

Representative RICHARDSON. Anyway, good morning, and I want to thank Senator Kerry and the Members of the Senate Committee on Small Business and Entrepreneurship for inviting me to participate in this important roundtable discussion. And let me welcome you all to my hometown of Framingham, which I proudly serve in the Massachusetts House of Representatives.

As you may be aware, Framingham State College has a long history of helping women obtain the skills necessary to lead successful careers and fulfilling lives. Women from every background have realized their dreams in large part through the educational opportunities available to them at this institution. Framingham State College is, indeed, a fitting place to hold this type of discussion.

Prior to serving in the State legislature, I worked as a real estate agent here in Framingham. And while a majority of my colleagues were women, I quickly realized that those in leadership positions within my firm were all men, and I often wondered why this was the case when there were so many smart, talented women thriving within the organization's sales ranks.

Now that I serve in the State legislature, I am definitely a member of the minority. Only 25 percent of my colleagues are women. And while we scored—

Chairman KERRY. But they think of you as one of the boys, right?

[Laughter.]

Representative RICHARDSON. While we scored a huge victory with Senator Therese Murray, when she became the first woman Senate president, we still have a long way to go. While I am optimistic that we are in a state of transition and the way women's roles are perceived has undergone a transformation recently, more changes need to take place in order to level the playing field in business as well as in politics.

Women in Massachusetts are fortunate to have access to the State Office of Minority and Women Business Assistance, and through this office, the Commonwealth spends \$240 million on women- and minority-owned businesses, specifically offering services and certification enforcement, business assistance, and advocacy. This is just one program that is making a difference for women in Massachusetts, and it is the type of initiative that we need to make sure continues to happen in order to find that we will finally achieve full equality in the workplace.

So I am looking forward to a thought-provoking discussion today on this important topic, and I am looking forward to continuing to work with the Senator and the Members of the Committee to make sure that we are doing all that we can to help women business leaders overcome the hurdles that they face and succeed here in Massachusetts and beyond.

So, thank you.

[The prepared statement of Representative Richardson appears in the Statements for the Record on page 40.]

Chairman KERRY. Thank you, Pam, very much. Thank you very much.

So let me start the questioning off a little bit. I threw out statistics earlier about the numbers of businesses that are owned, et cetera. Eighty percent of women-owned businesses have revenues under \$50,000, and fewer employees serve in those. Only 16 percent of all firms with employees are owned by women.

So, Dr. Brush, you have written a book about this very topic, and I know you have got a lot of thoughts about it. But why don't you start us off with what your principal thoughts about what those hurdles are, why the growth among women's businesses is falling?

Dr. BRUSH. Thank you very much. I am happy to be here. I have been at this for a long time, and, in fact, I am happy to see some friendly faces around the table—Teri Cavanagh and Elizabeth and some other people that I have worked with over the years since probably in the early 1980s.

And I would just like to start by saying that I think, overall, there has been tremendous progress in the growth of women-owned businesses and women's entrepreneurship.

And some of this is a result of some legislative changes in public policy and assistance programs. And I think today it is much easier for women to start businesses because there are many more programs and educational opportunities available to them. If you have

a credit card and access to the Web and a pretty good idea, you can probably get started.

The challenge is what happens when you really want to grow that business, or when you want to scale it? And that is where we find that women have slightly higher hurdles, as we would say. The hurdles for growth really involve getting access to capital or access to financing. In most cases, that is equity capital because if you are going to really scale it nationally, or internationally, and grow your business rapidly, you do need to have access to some sort of equity financing.

Chairman KERRY. You started off by saying, "If you have, it is fairly easy." What is the "if you have?" It is fairly easy to start?

Dr. BRUSH. Yes, if you have a credit card and a Web address and a good idea.

Chairman KERRY. I see. Just get started in the most basic way?

Dr. BRUSH. Exactly. And so, you can get started. And I think we see that, evidence of that in the growth of self-employment, and we see evidence of that as well with the numbers of businesses that are started each year. Many of those are women-owned firms.

But when we think about scaling and growing rapidly, that becomes a challenge. And so, the access to capital is a major challenge. How do you find the equity financing that you might need, whether it comes from angel investment, whether it comes from the venture capital community, whether it comes from corporate strategic partners, or, in some cases, you are looking for bank financing or lines of credit. So that is a challenge.

Chairman KERRY. And is it a challenge because there is just an institutional prejudice that sort of suggests, wow, you don't have a business school background? You don't seem to have had the experience. We don't trust you. Or would men be treated on an equal basis if they came with the same lack of experience, let us say, or background?

Dr. BRUSH. I would say—I mean, if I throw out the numbers that we have done from our study, the research that we did started in 1996. And at that point in time, which was the beginning of the Internet growth and boom, there were around 1,300 businesses that were funded by equity capital, and 30 were women-owned.

And so, there is a disproportionate number of women-owned businesses that were—

Chairman KERRY. Is there any measure of how many women tried to get funding?

Dr. BRUSH. No, and that is a data question that we do not have the answer to. But I can tell you that we looked at all of the investments in the United States over a 30-year period, and we analyzed the percentage of women-owned firms that were in that total investment pool, and it was never higher than 6 percent for any single year.

Together, all of the investments by venture capitalists in businesses in the United States, over a 30-year period, were never higher than 6 percent. And that is a quite a disconnect, if you think about the number of women-owned businesses that we have—and this is up to 1999—and the fact that only 6 percent are getting institutional venture capital.

So why is that the case? I mean, that is the question on the table. Why is there such a small percentage of women-owned businesses that are having—that are gaining access to venture capital?

And so, we haven't been able to answer all of the questions fully because the question you asked is, are they applying for it? Well, the venture capital industry is not regulated, as we all know, and so therefore, it is hard to find out how many women-owned businesses have applied to venture capital firms to gain access to venture capital.

I just want to follow up on one thing. Venture capital—less than 1 percent of all U.S. businesses are funded by venture capital anyway. But that is the top of the pyramid. That is where wealth is created, and that is where it is a very tightly controlled, homogeneous, tightly networked industry.

And so, if we want wealth to be created by all populations of individuals—men, women, minorities, different groups of people—we would hope that the best innovations would be commercialized, and the best people, or the best populations of people would have access to that. I am not sure if I fully answered your question.

Chairman KERRY. Well, I was trying to follow, but it is very difficult. I mean, if you don't have a measurement of how many are trying, you also don't really know what the universe is in the same way, because of the alternative life paths that women automatically wind up being placed in, in a sense, by virtue of child-raising. And so, it is hard to measure, isn't it?

Dr. BRUSH. Well, let me ask you the question in a slightly different way.

Chairman KERRY. Except—let me rephrase that. Except to the degree that you also have stay-at-home pops nowadays who are deciding to do that. You have a difference in lifestyle. But by and large, in America, you still have more women who are staying at home for a period of time in their lives and/or careers, and then they have to come back out and re-enter, which creates its own sort of hurdle of connecting, of networking, of establishing the credentials to break into the credit field.

It is not a—it is just an inherent hurdle that is created by virtue of those choices. And I think what I am hearing—help me through this a little bit. Maybe I am hearing it wrong. But more and more younger people, I am finding—and I see this in my daughter's generation. She is now a doctor, but she is struggling with these lifestyle choices, as are a lot of her friends, who are sort of pulling back from some of the 1970s, 1980s sense we are all going to go out and change completely how we live.

And now they are finding, no, they want to take that period of time in order to raise their kids, have a family and do the other things, and then go out. And that creates a kind of hurdle that is hard to get over.

Dr. BRUSH. But I think there are two things going on here. I mean, first of all, it is a generalization to say that all women want to stay home and have children.

Chairman KERRY. Of course, it is. I understand that.

Dr. BRUSH. And the second thing is that there is a population of women who do want to grow their businesses, and this was proven

by those that have participated in springboarding. Several women around this table have been in that process.

And so, if you look at springboard as a forum that brought together equity investors to mostly technology-based women entrepreneurs who wanted to grow, and over the course of those workshops, or those forums that were held around the country, there were 3,000 to 5,000 women that applied. So if the applicant pool of those women seeking growth capital is—call it 5,000, that says that there is probably enough qualified to receive at least more than 30 equity investment.

So there is a pool of qualified women who do want to grow their businesses.

Chairman KERRY. I completely understand that. Agreed. The only point I was making is that there are—there is, nevertheless, a large number automatically that wind up being in a very different category from men because of that predominant choice. That is all. And it is a question of how much—is there a way to institutionally break down the barriers that are created by that? I don't know if there is or not.

Dr. BRUSH. And that is a very, very difficult question because I think what you are getting at is the perceptions that people have about whether women are qualified, or whether they want to grow because that gets to the aspirations and commitment piece. And I guess I would say that there are men that have low aspirations, too. Most men-owned businesses are small as well.

But so, I guess the real question is for that group of businesses, both men-owned and women-owned, that want to grow, they should have equal access to the growth capital. So I think that is more my point.

Chairman KERRY. Fair enough.

Dr. BRUSH. And I think you are absolutely right about if we look at the distribution of women-owned businesses, or when women start businesses; it is kind of a bipolar distribution. You find more women who are younger and older that tend to start businesses, whereas for men it is more of a normal curve.

Chairman KERRY. Right. That is what I was sort of getting at. I know there are some others that want to weigh in, but let me just finish this quick line of questioning.

So with respect to that difficulty and access to capital, is there something—is that an inherent hazard of that choice? Is there a specific prejudice in it that we could somehow work to get over, or is there sort of a different kind of entry process, credentialing and/or other things we could put in place that might help people overcome it?

Dr. BRUSH. Yes, I am sure there are some women around the table that have something to say about that. But I will tell you from the interviews that we did when we wrote our book, we did find examples of prejudices against women who were of child-bearing age, in terms of whether they would invest in those businesses or not.

And so, that is the anecdotal, and I am sure that if you went around and surveyed a bunch of venture capital firms or angel investors, they would never admit to that. But I know that there are situations where there is a woman here in Boston who founded—

she and her partner founded a company, and she was asked when she went in to talk to one of the venture capital firms, they said something like, "I see that your partner has a wedding ring on. What are you going to do when she gets pregnant? When she leaves?"

Chairman KERRY. I have heard those stories. I have heard employers who absolutely are wary of somebody who is about to go out on maternity leave, and so there is clearly that kind of a hurdle. No question about it.

Ms. Cavanagh.

Ms. CAVANAGH. I was just sitting here with all of these thoughts. But I guess just—

Chairman KERRY. That is what we want. Provocative.

Ms. CAVANAGH. Of course. I am just trying to get it into a sound bite in places. I guess just a 100,000-foot view and perspective that I had over my career at Bank of Boston to Fleet was running a program across 9 States for women business owners. And this period of 1997 to 2004 ended with the Bank of America merger.

But during that time, that 7-year span across 9 States, it was really an incredible experience to observe from the traditional credit piece of this really what was happening for women. So the first thing is I am fairly shocked at the number, Senator Kerry, that this 30 percent number that you used because during that period, that trend was almost 50 percent. So I think there was a 50 to 51 percent ownership change in there. But still, the number was a little more robust than what it appears to be right now.

One of the biggest takeaways that we would say from the research during that time, though, was that 16 percent of women are leaving corporations to start businesses. So they were—that was the fastest growth segment. I am not so sure where that stands today, but that was, again, probably around 2000 to 2002.

We also did a national study with the Center for Women's Business Research, and we looked at fast-growth companies. And we called—we studied what we termed "the gazelles." And these were men- and women-owned firms that were growing at 30 percent annual rates of either revenue or employment. And we took a look at men versus women and then women fast-growth versus all women, and there were two distinguishing characteristics.

The men were clearly getting to the credit earlier. It was 52 percent versus 29 percent of women in both fast-growth companies had established and multiple bank credit pieces. So they had a term loan. They had a line of credit. They had leasing arrangements. Where women were just not getting to that piece soon enough. They were still funding their growth through operations.

The other part that was very high in terms of differentiating pieces and gender was that men claimed that they more role models and they had mentors in the process, where women really felt that that wasn't really as available to them. Which then, as I view the story, it was the connectivity during that period of time that I think was so powerful for women in banking, that our program, combined with so many others in the country, because research, in my view, has always gotten the attention of corporate America. Corporate America then pays attention to what is being said, and women and money I don't really think is ever going to go away as

a topic of interest, whether it is getting them started, getting them growing, whether it is—but the method has changed completely.

So, during that time, there was the growth of women's business organizations. There was a tremendous growth in the women's business enterprise, triple their office locations.

Chairman KERRY. Did that have something to do with that phenomenon that I just talked about? About the career choices concept, what people were doing affirmatively and breaking out? There was sort of that period of time where there were a lot of studies that suggest that women were much more active in making a choice to not be in a household, to go out and work, to pursue a career. And now people are retrenching slightly. Is there any evidence of that?

Ms. CAVANAGH. I don't believe that was the case. What I believed was that what we all created was a central place to go. So it was a self-selection. For those women that were thinking of starting a business, leaving corporate life, had a change in their lifestyle that required them, or I met a number of young MBAs who clearly didn't want to go to the corporate track because they had seen their parents downsized, right-sized.

It was in that period of money. It was in the heyday, so that their opportunity, their risking was much less. They didn't have as much to risk, and why not go there? But I actually think it was the calling out of the partnership really within the SBA to women's organizations to WBENC that were doing this to educate women and do what I call shorten that learning curve.

So it was the synergy and the ability for women to see that there was programs and ongoing programs of education or connections that would—that they could avail themselves of. And that is how we learned kind of where they were.

Now, currently, I live on Cape Cod. I am no longer—I didn't stay through that Bank of America merger, but I am still very involved with women entrepreneurs. And on Cape Cod, where I live, I have started three what I call GROW groups, Get Results with Other's Wisdom, and they are peer mentoring groups, facilitative. And these are for women who have—are growing companies. They are not startups. They are actually there.

And Cape Cod is very interesting because it is a very local, very small. But the women who are growing their firms are doing some pretty innovative things, particularly around using the Internet for sales, creating huge marketing campaigns for destinations. But it is that same bottleneck again when it comes to the money.

And so, for those that are thinking of licensing agreements, franchise opportunities, they get stuck in this I am not sure where the money comes in. And so, they have degrees. They have owned other companies. There isn't sort of a commonality other than to say in those previous days, we had a number of entities aligned that women could find, and I think it has just gotten harder again for people to access the knowledge, the information, and the people—

Chairman KERRY. Why do you think it has gotten harder?

Ms. CAVANAGH. Because I do think the banking system and I think things go in waves, trends. And I think there was this huge, as Candy mentioned earlier, the research that came up in the mid

1990s was showing this incredible market opportunity. So I think everybody in banking wanted a piece of that.

And that sort of naturally had a bell curve effect, and then with the early dot-bombs, the collapse of the biotechs, and all that equity money, it all kind of tailed off. And then I think as you—

Chairman KERRY. So is this an awareness issue? Is this a sort of—

Ms. CAVANAGH. No, I think there was a retrenchment at that point.

Chairman KERRY. A retrenchment.

Ms. CAVANAGH. I mean, capital was harder to get and so forth. And then I think what also happened was the continuation of mergers in banking.

So Bank of America, as an example, looked at this program that I did. There were two schools. One was we definitely want to do this nationally. It was a best practice in the country and blah, blah, blah. So there was a lot of business that was generated from it. And at the same time, there was the agreement that it will take us at least 2 years to have this see the light of day because we have so much to do to integrate this bank.

And then yet in speaking with them further, they are now very comfortable because they cut such a wide swath in the market they can talk the numbers and say we already bank 25 percent of all small businesses in the country. So we are doing work with women. I tend to think that these dedicated programs or some ownership with the connectivity of Government, not-for-profits, and corporate kind of closed a lot of that access gap and the education gap for women. I just don't see that there today.

Chairman KERRY. Interesting. Laila Partridge, you are a founder and CEO?

Ms. PARTRIDGE. Yes. And I have spent 10 years doing venture capital as well.

Just a quick comment. I would agree. I think the banks are fantastic. As an entrepreneur, I have been really surprised at how quickly they really support your businesses. But the point I wanted to actually follow up on was one about the fast growth capability in venture capital.

Having spent 10 years in venture capital and working with larger firms, you also never see women in those firms. And what I think is probably the biggest living indicator as to whether the women get funded is how that networking circle with the venture capitalist happens. And it really happens by being within their companies, getting promoted within the companies, and slowly getting a relationship with those venture firms.

So traditional people who get funded in the venture firms—and there are the exceptions, like the Google guys who walked off the street—but the vast majority of venture-backed companies come from existing relationships that those VCs have. And the VCs build those relationships starting at the director level up to the vice president level of the companies they fund. They track people who they think are good, and there is two elements to that.

One is they don't put women into those roles if it were a stretch. They put men in those roles if it were a stretch, but they don't put women. So if it is a woman, you have to have done exactly that be-

fore. And I think that is just one of those challenges women often have.

I think the second thing—

Chairman KERRY. And because it is just an inherent prejudice, an inherent—

Ms. PARTRIDGE. Yes, I mean, I put it back down to their mothers don't work. Their wives don't work. Their daughters don't work, even though they went to Harvard Business School. I mean, these are men who generally don't have as much exposure to executive women.

By contrast, having been at Intel for 10 years, there were a lot of men who knew how to manage women. The most basic conversations that I have had in the venture world have made it very clear that very few of those men do manage executive women.

So they ask the questions about how many children do you have? How much time do you spend with them? I mean, because they are grappling with how to manage that risk, and it is a risk in their minds.

So I don't think it is a prejudice in a negative way. It is a businessman saying, "Here are my risks, and because I haven't seen women perform in this role before—well who are young and child-bearing—I am going to ask about it, because I just need to get my arms around it."

So it is a higher hurdle. But once those women have that credibility, then you see—I just saw a top firm fund a woman in a business plan that makes no sense to me. Why? Because they believe in her. So once you are there in that circle, that is OK. But you need the risk to have that first job to then have exposure to them to then be able to prove yourself, and that proving yourself process, I see again and again as being harder.

I have many women who have been at director or VP levels at VC-backed firms, and they will come back and say, "I am in the board, and the board is clearly not believing what I say." So there is a performance issue that is a higher bar by far.

Chairman KERRY. Interesting. And what do you think—how could the SBA and/or the Congress help address that kind of gap of awareness/experience?

Ms. PARTRIDGE. Well, again, in my recent experience, I raise money. And I raise money in angel, and I was not able to get traditional angel groups to fund me. The people who funded me were people who knew me, who had worked with me and who understood what I could do. And my comment to—and there may be other extenuating circumstances, but my comment was—would be that it became—

Chairman KERRY. Do you think that is different from a comparable male startup effort?

Ms. PARTRIDGE. It is hard to say. I think it is very hard to get funding in general. Certainly, some of the questions that I got from the angel groups, I would probably put them in the category as not male-oriented. They would not have gotten those same questions. But I don't know. It could very well have been my business model and how I presented myself, various other things.

What I would say is that if there was an ability to have matching equity money, if there was a certain amount of equity raised, I

think you would really get a lot of bang for the buck there. Now you wouldn't want to give them outright grants——

Chairman KERRY. What is the range of amounts you might be thinking of?

Ms. PARTRIDGE. I think my sense is that between \$300,000 to \$1 million is enough to raise and start a company that is really going to grow fast. And I think it is very hard for women to get above \$100,000, \$200,000 out of their own Rolodexes. But I am just really pulling a dollar amount out of the air. I am going to look around and ask people to confirm that.

So if you could match that in the Government sector, I think you would find you would give a lot of leverage to these women.

Chairman KERRY. Dr. Jalan, you are looking to intervene here?

Dr. JALAN. Well, I just wanted to make some comments. Just to give an idea, I took over my company, ElectroChem, after my husband's death. And it is a high-tech company. We are in the hydrogen and fuel cell area.

And when we are talking about the equity money, or the bank support to grow the business and the lifestyle, I have come—I have been running this company for 16 years, and pretty much I have come to the point that I have to make it more like a lifestyle.

Even after 4 years of continuous profits, I never could get a line of credit from any banks. I never could raise any money because when I went, they wanted to, "Oh, well, you don't have a team."

Chairman KERRY. This is at what stage?

Dr. JALAN. It is—the company was almost about 10 years old.

Chairman KERRY. And what were the earnings at that time?

Dr. JALAN. About quarter of a million.

Chairman KERRY. How many employees?

Dr. JALAN. About 10.

Chairman KERRY. And at that point, they would ask those questions?

Dr. JALAN. Yes.

Chairman KERRY. Amazing.

Dr. JALAN. So it has been a challenge. And I think the women's business, the equity is after you have some money, a line of credit from the bank; I never even got that. So I do think that there are those issues where you need to get the bank people to understand, and finally, they were getting me all the stories, and one banker, I was meeting him in a social setting, and he did say, he talked with me and said, "So you are not getting the real story about why you are not getting the line of credit." I said, "You said it. I didn't."

And so, that is out there, and that makes women do—fall back and say, OK, as long as I can pay the bills and keep on doing the work, I am just going to stay slow.

Chairman KERRY. Well, it is interesting because the Center for Women's Business Research found that women made many more attempts, I think the average was about 4 attempts to get a line of credit and/or bank loan and something like 22 attempts to be able to get an equity participation. So what you are saying sort of documents that.

Let us talk about that for a minute. If anybody else wants to weigh in on that, let us see, Ms. Ames, you are nodding your head?

Ms. AMES. Yes.

Chairman KERRY. What is that all about?

Ms. AMES. I am Elizabeth Ames. I am with Center for Women and Enterprise. Senator, I would just like to thank you for your advocacy.

Chairman KERRY. Before you thank me, can I do something?

Ms. AMES. Yes.

Chairman KERRY. I neglected at the outset to thank Framingham State College for welcoming us here, and Dr. Flanagan—Timothy Flanagan, president. We are very appreciative to be here and grateful for the hosting. So I want to thank them. Maybe we can put the record so that it reflects that.

Go ahead. Sorry.

Ms. AMES. No, not at all. The Center for Women and Enterprise is a women's business center, and you, personally, and the Committee have been phenomenally proactive since you took over leadership in coming to the aid of the women's centers.

A couple of things that come into mind, we were talking about equity and we were also talking about credit. We are also talking about different income segments of the population. So if you have a minute, what I would like to do is talk a little bit about our client base because our client base goes from the most economically challenged woman who is trying to get off of welfare; a single mother may want an income to keep her kids at home, all the way up to the high-tech entrepreneur who is going after equity.

And for 8 years now, we have either managed or had venture capital conferences, springboarded and our own, which have ended up helping women raise over a \$1¼ billion of equity. So I think what Laila was saying is critical. The number of dollars, the percentage of dollars of VC going to women is about 5 percent. That is our numbers.

So this issue of the network, the network extends even farther. A couple of years ago, the number of women partners in VCs in Boston was single digit. So decisionmakers are not men. So it is a social network as well that goes all the way back to business school.

And if the key thought in VC is if you have a great leader, or a great business plan, the great leader really matters; it is that personal phone call that will get you into the network. The solution that we have found is also what Teri has been talking about, which is to trend access by having a network of VCs to training so that the VCs are training and introducing these entrepreneurs into that system.

But again, that has been a successful model, but it is at the high end of the income stream. So it is a lot of job creation, but the greatest part of job creation really comes at the low end and the medium-sized businesses. And in both of those areas, I think it is very important to say that the areas that Candy and Teri were talking about, about access to capital are equally important because the prejudice there is about not only personal barriers about who are these women? Why should I talk to them? Have they done it before? There is a very subtle class distinction going on there as well as experience.

But it remains extremely hard for them to get credit. And part of it is that the SBA programs are really special about how they

have worked with the banks and worked with community lending in order to make sure that those pots are available. But as we have more and more of a crisis going on in liquidity, those pots have less and less interest in terms of the distribution. So the hurdles in those segments become higher as well.

Chairman KERRY. That is true. And that is going to be just a reality and a difficult hurdle to get over anyway, because even within every circle, people are feeling that squeeze now.

Ms. AMES. But in pure proactivity in terms of highlighting the work of women's business centers and saying that these partnerships are productive, and that it is not a question of prejudice, it is a question of opportunity, and also job formation; that is a powerful message.

Chairman KERRY. What I want to figure out is whether we could go—it strikes me, listening to all of you, that this networking piece—awareness piece—looms very large here. And maybe if there is a way to create purposeful opportunity so that we could convene and kind of make people more aware. I mean, maybe Mark—I think the SBA itself, Mark is here with the SBA—could maybe host something where we pull angel investors and VC folks together and have a kind of fair.

Every year, I have done a small business procurement fair, where we try to link—but it has been generic. In this case, maybe we ought to make something specific for women entrepreneurs and that community, and broaden that awareness. I don't know. I am just throwing the idea out. What do you think, Elizabeth?

Ms. AMES. I think two things. I will go back to the segmentation again.

Chairman KERRY. Go back to what?

Ms. AMES. The segmentation of the population again, and talking about where the acceleration in job growth within the economy is coming. Because it is not coming from the VC-funded companies, even though that is what is sexy, that is what we all, or many of us in our demographic are really attracted to.

What I think you can do with the lower-income and medium-income women—and Teri can talk to this, in her segment of lending that she has worked with—is a couple of things. You can create pots of money that go through different distribution venues—for instance, community pots of money that can be matched by banks. Matching, again, is an important thing.

But the distribution of where the funds go, really the lending decision goes through the community organization as opposed to the overburdened bank. That can be one thing. Particularly in small loans, that is very important. The work to do a small loan versus the work to do a big loan is basically the same.

That is one thing, and I think the bully pulpit is really important because what we have had for—I have worked in two Republican administrations in the State and was registered until recently as one. But what we have had in Republican administrations has been a contempt, really, for what Government can do and the importance of saying these things over and over again. But the more you say a message, the more it is heard finally.

Chairman KERRY. That is good advice, good advice.

Ms. AMES. So those two things.

Chairman KERRY. And we welcome your redemption.

[Laughter.]

Ms. AMES. I am working for Barack. If anybody wants to contribute, see me afterwards.

Chairman KERRY. Dr. Brush, you have got your thing up again, and I was going to ask you, anyway, to intervene here at this point because in your book, you talk specifically about this hurdle and how you even document, I think, one person who made 20 efforts to have a conversation and only one return came back. And so, talk to us about that.

Dr. BRUSH. Yes, actually, it ties in nicely with what Elizabeth just said because I think it is bringing these groups of people together. But there is an education piece on both sides, and I think one of the things that we found in our work is that a lot of times women don't quite understand the language of finance, that financial savvy.

And this is an educational opportunity because for those women who want to grow, and maybe you don't want just to grow to the venture capital funding, you want to be that next level, like you were describing, Dr. Jalan. Is that you may want to get to that next level, but you have to understand the landscape.

And so, the example we used in the book was about a woman who cold-call mailed her business plan to 20 venture capital firms. That is exactly what you don't want to do, because it is a very tightly networked industry, as Laila just said. It is regionally or geographically concentrated. There is some evidence that more than 50 percent of the people in the industry went to the same 5 schools. So it is a very homogeneous industry.

And we know from what is called the theory of homophily that people like to do business with people who are like themselves. So if you have this very homogeneous group, if you happen to be different in some way, it is going to be hard for you to get over that barrier.

So the education of women in terms of the landscape, it is important to understand if you are at X stage of growth, here are some funding opportunities that are appropriate for you, and this is how you go about seeking those different sources, whether it be a corporate partner, whether it be a loan, whether it be——

Chairman KERRY. Does that have to be formalized? Does that have to be some kind of SBA outreach, small business outreach, women business center outreach? Or is it some other——

[Laughter.]

Dr. BRUSH. Actually, the Center for Women and Enterprise, I was on a panel last year, the Access to Capital, where we did just that.

Chairman KERRY. But is there enough of it?

Dr. BRUSH. No. There needs to be more.

Chairman KERRY. So how do you get enough of it?

Dr. BRUSH. Well, again, I think you can bring in partners. It is a partnership thing. You can have Government. You can have NGO's. Use educational institutions. There is a variety of different groups that can do that, and I think you do need to have some formalized programs that really help women understand what is an

appropriate financing source for the stage of business that they are in.

But I also want to talk about the supply side for just a second, as well, because that is another piece, and we have talked a little bit about the sort of the scarcity of women in the venture capital industry. We looked at 1995 and 2000 and found that even during the boom, the number of women in the industry declined. It was less than 10 percent. And if you look at the number of women in decisionmaking roles, that was small also.

And so, if you think about how people become venture capitalists, and we are really lucky to have someone in the audience who understands that process—and that would be Trish Costello, because she ran what is called the Kauffman Fellows Program. And that was a program designed to grow venture capitalists, and I know that that program really tried very hard to bring in women and the minorities into that industry. And that program is still thriving.

The other way is to think about how we can encourage women to become angel investors, and that is something I have been very personally involved in. As we ran an event at Babson College, just a year ago, the idea was to help women understand what if you looked at your portfolio of investments, one opportunity for you is to think about angel investing because you could have a great impact on society. You can help to grow businesses.

So think about, if you have the means and the risk appetite, you could be an angel, and that would be another way to get more women into that investment community. So those are two—

Chairman KERRY. Mark, you are the only male here. You can't retreat.

[Laughter.]

Mr. HAYWARD. No, Mr. Chairman, I cannot retreat, and I will not retreat. First of all, thank you very much for inviting the Administrator, and I am pleased to be here on his behalf. And he asked me to express directly to you well wishes to everybody here.

And this is an issue that is very important to the SBA. I have known Teri for a very long time. I haven't had the opportunity to work with Elizabeth, but I have had an opportunity to work with the Center for Women and Enterprise. Let me tell you, there is no finer center in the country than the Center for Women and Enterprise, which is both here in the Commonwealth of Massachusetts, as well as in Rhode Island.

And the number of things that have been established, we talk about the education piece and understanding, and I think Power Up!, which was started in Rhode Island and now has expanded to Massachusetts, really is one of those venues that should be looked at from an educational process. Because it takes not only women who are in business, but women who want to get in business and start—it is a 13-week process that is done pro bono, and actually, it is distance learning at this point in time because it is being a satellite feed into both Boston, as well as into Worcester.

But it takes 13 weeks of going from having an attorney there, to having an accountant, to having SBA people. This is what needs to be done in order to be a successful entrepreneur. This is what you need to do to grow your business, and I think we started in Rhode Island, but it really has become something of an importance

around the country. Because 500 women have gone through it in Rhode Island, they have now begun to expand into the Commonwealth.

And people who are going through this process really are learning a tremendous amount as to what they should be doing from a business standpoint. Teri was there from the beginning, and it really—the Center for Women and Enterprise. And I always say, Mr. Chairman, I love my center director, Carol Malysz, in Rhode Island. I have had a tremendous relationship with Donna Good in the Center for Women and Enterprise.

And it is a value, it is a value not only to the women entrepreneurs that are going through there, but it is a value to the agency because we take the women who have gone through this. Part of the process is you must do a business plan. When you get to that business plan portion, we at the SBA and my colleague from Boston, who is here, Bob Nelson, we actually work with the women entrepreneurs to try to get them loans. We are not bashful in taking them to the lenders and saying, “Here is a woman entrepreneur who has a business plan and who has a financial plan that is financeable. Take a look at it.”

Chairman KERRY. It looks to me like that works out well. If that is successful, we should be doing a lot more of it.

Mr. HAYWARD. I agree. Absolutely.

Ms. AMES. One interesting thing about that program is that because they start with the concept, the women in that program self-select out. So by the time they come to you, these really are women entrepreneurs who are unstoppable, another important point.

Chairman KERRY. That is important. That is a good point, too.

Ms. AMES. That issue of free money is really critical.

Chairman KERRY. Eydie Silva, you have your card up?

Ms. SILVA. I do. Thank you for inviting me, first of all.

I think I want to speak to a couple of issues. I am from management consulting my whole career. I agree that getting venture capital funding is very, very difficult.

As a shareholder of a research advisory company, we went to Wall Street. I was the only woman with four male shareholders, and it was a grueling process, very engaging. We thought we had a great business plan, which, at the end, we did because we sold the company to Reuters.

But I think the point I want to make there is that getting venture funding is very difficult, and one of the things that we certainly found in that, and in my role at SOMWBA, is that I think having a solid business plan that sort of speaks to what we were just talking about, about educating people on the strength of their business plans. And the mentor program I think is absolutely critical. Because I have found in speaking with many women-owned companies, “Well, I am doing this alone. I don’t have a mentor. It is so busy out there in the corporate world, they don’t have time for me.”

So I think establishing a mentorship program is critical, and it is very similar to the males who have their network, whether it be at the Harvard Club, or on the golf course. I think it is critical because one of the things that you will find in business—and I have seen it time and time again—is that it is about the network, and

that is how business is done. And I don't think we will get away from that.

I think programs that support an infusion of capital through Government grants, I think, is a good thing, and there should be focus on it. I think it is very difficult to get a line of credit. We did the same thing, and I mean, we all put our houses up that had equity, and it is. So I do think that these are inherently difficult issues for all businesses.

So I am not going to discount that, but I do think——

Chairman KERRY. Do you think you got a harder going over in terms of the venture capital piece than a pure male counterpart group would have gotten within the venture capital process?

Ms. SILVA. Personally, I would say no because I think back, my experience certainly was difficult to begin with. We had made a solid business plan, and eventually, Reuters made the investment. And we sold the company to Reuters. So we were right. We just kept knocking on the doors of Wall Street, and it eventually happened.

But I think—I really think that depends. I think it depends on how you are presenting yourself to a venture capital firm, what you are going in with, what the competitive landscape is for your business, the viability of your business, the scalability of it. I don't think it is so easy, and I think it is probably more difficult today to get funding than it was probably 10 years ago.

Chairman KERRY. I want to come back to Laila, but let me just first ask if you would intervene because you have got a great background in lending?

Ms. DEVENNE-ZARBA. Yes, thank you, Senator, and thank you for inviting Citizens Bank today. What I sort of wanted to lead off with is that Citizens, obviously, is the number-one SBA lender, and in 2007, we actually did 384 loans. Sixty-seven of those, or 17 percent, went to women-owned business. We were actually the highest lender who actually achieved that.

Having said that, I have had many years of experience with small business, and I have been very passionate about trying to help women, very active with the Center for Women and Enterprise, and obviously very active with the SBA. And one of the first things that crossed my mind when I was reading through the materials for today was Ms. Green's story, and she talked about her challenges with dealing within SBA.

And I read that, and I had to identify with that because I would look at that as a challenge with banking, as well. Because I think what women don't do as well as men is, you don't—you haven't figured out who is who. Who are the right people? You haven't aligned yourself with the right team. And so, she was struggling within the SBA to find the right people to get where she needed to be.

And the same thing happens when it comes to the bank. Unless you talk to the right person who has the knowledge, knows the products, and can tell you what the bank is looking for, then you are set up to fail. And unfortunately, it is like anything. It could be the SBA. It could be the bank. It could be anybody. If you don't have the right qualified person behind you, you are not going to get anywhere.

Chairman KERRY. Debra, when you say you are a team leader at the bank, which means—

Ms. DEVENNE-ZARBA. Correct. Oh, I am sorry. I deal with small business.

Chairman KERRY. You deal with small business, and I know you are particularly concerned, obviously, about women in business.

Ms. DEVENNE-ZARBA. Correct.

Chairman KERRY. Do you single that out within the bank? Do you have a targeted—do you have a target of some kind in terms of lending?

Ms. DEVENNE-ZARBA. In terms of the women? We have not done that in the past, and I think we are starting to look at that more closely. Obviously, Citizens has done some tremendous growth. So we are no longer a smaller community bank. We are very much a national bank. We are within the top 10 in the country now.

So we are sort of growing up, and I suspect we will look at that a lot more closely. Although I would argue we have done a lot in terms of the percentages; it should be higher. But, no, we do not have specifically those types of programs.

Chairman KERRY. Do you find an awareness among your banking colleagues of some sensitivity to this, or is there some way to try to think about how one might penetrate that?

Ms. DEVENNE-ZARBA. Well, you mentioned earlier some type of institutional prejudice perhaps with men versus women, and I would sort of say I don't think that is there. Now maybe the perception is that there is some of that there, and I would probably state that maybe men present their cases better than the women do. But I think there is an awareness.

I mean, we clearly treat anybody who comes in that small business arena, and there are challenges there in terms of they tend to be a startup. They don't have enough equity. And even if you get them through that startup phase, I think Elizabeth pointed out—somebody did earlier—they will get to a certain point, and then they don't know what to do. They don't know how to take it to the next level.

Chairman KERRY. Right. Are you able to actually mentor these folks?

Ms. DEVENNE-ZARBA. Yes. In my—

Chairman KERRY. You do? Assign somebody?

Ms. DEVENNE-ZARBA. Yes, within the regional area, we do because we are dealing with companies typically under \$25 million in revenues, and that is how I perceive my core job is not just to give them the loan, but to educate them and tell them how we think, what we are looking for, how they need to plan their balance sheet and income statement for their future growth.

Chairman KERRY. Laila, do you want to weigh in? And then I would love to ask, Ms. Green, if you would share that story, and then we can sort of build off of that?

Ms. PARTRIDGE. Sure. I want to kind of comment on a bunch of these things in the context of venture capital versus angels because I think one of the things that people often overlook is the numbers for venture capitalists. For them, it is about return on investment, period. Pure and simple, don't care anything beyond that. If you don't get me a return on investment, don't talk to me.

When you do the math that was the size of funds they raised; they look at the people administering those monies. Long and short of it, what it means is you need to have a business that goes from 0 revenues to \$40 million to \$50 million in revenues in 5 to 7 years.

I teach a class at CWE, which is a great program, with a bunch of women entrepreneurs, and I walk through this over the course of half an hour. So we get there, to that conclusion very much more detailed.

Chairman KERRY. Dr. Jalan nodded in absolute affirmation.

Ms. PARTRIDGE. And so what ends up happening to the women around the table is their jaws drop. It never occurred to them that these VCs had these expectations and these metrics, and that is what they are trying to achieve.

Now the good news is that the VCs will help you grow. Right? I mean, that is the answer. They are mentors to help that. The bad news is very few of the women have the aspirations and the vision in their own sense of what they can accomplish if they want to get there that much.

So when they go in front of presenting, first of all, they fail, first and foremost, because they are not saying, "I am going to be a \$1-billion market opportunity with \$40 million revenues in 5 years, and here is how I am going to do it."

So part of it is communication, and part of it just simply is that they started the business because they feel the need to do a business, but they don't think that way. And so, part of it is I think if you are going to go and be successful in lending institution, or otherwise, I go back to Elizabeth's point, go toward the women in that middle section, which is—or high end, whatever you want to segment the opportunity, and look at angel investors. Encourage more angel investors.

Find a way to make angel investors better educated investors because, believe it or not, I think they need education as much as the actual entrepreneurs. And I think that is the area where there is really a lot of great opportunity, because there is an enormous amount of wealth that has been created with Google and other types of companies. There is an enormous amount of small, successful entrepreneurs who would love to give back, but don't really necessarily have a means.

You know, there are angel groups, but then I have also talked to investors who say, "Well, I don't really fit in with this angel group. That is not really what I"—

Chairman KERRY. Are you suggesting that they get involved directly, that they be lured into this specific segment of lending, or that they back some sort of education project or both?

Ms. PARTRIDGE. Well, I hadn't even thought about it that way. I was thinking more from the perspective there are people who would be interested in helping and investing in new companies. They don't really know how to go about doing it. So I think there is an education gap—

Chairman KERRY. Right. So, you are talking about how you bring the angel investor to the table and marry them to the—

Ms. PARTRIDGE. How you bring the investor to the table and marry to the process.

Chairman KERRY. Right. Get the new folks who have got the money to sort of get involved, and get them interested in angel investing.

Ms. PARTRIDGE. Now I think there are some extraordinary opportunities happening in the marketplace in exit strategies. So in the technology world, which is where I come from, for the first time in the last 2 years—and it really has been 2 years—companies are selling for \$20 million or less. Now, in the past, I was a mergers and acquisitions director at Intel, if it was under \$20 million, you figured it was a fire sale, you just cram them. You just give them a little leeway.

Now what you are seeing is something very interesting. There was a startup called Maya's Mom, started by mom, so Gravier demographic. Go take a look. If I am not mistaken, Johnson & Johnson bought them for between \$13 million to \$20 million, if you believe the actual settlement. But I don't really know the details of that that much.

But what is interesting is Johnson & Johnson bought them. In a high-tech world, that is not their core competency, and you are seeing—

Chairman KERRY. You are seeing people look for broader diversity in their portfolios?

Ms. PARTRIDGE. Larger companies are willing to take small companies that are started by women, and they are now starting to see the liquidity.

Chairman KERRY. That is very interesting.

Ms. PARTRIDGE. And that then has an ability to bring the angel investors in to start looking at businesses that don't have to meet \$40 million or \$50 million in revenue—

Chairman KERRY. Do we have any role in that, or is that something that is just going to play out and happen? Do we have any role in encouraging it or—

Dr. BRUSH. Yea—

The CHAIRMAN. Incentivizing it?

Dr. BRUSH. Yes, I was going to speak to that because I am very involved in some—we have angel groups that meet at Babson, and I go to all of the meetings for one of the groups. And just in New England, we have 19 organized angel groups. The Angel Capital Education Foundation collect data, and they have been doing some work to try to determine exactly what angels look for, how to become an angel you know, what is the process that you need to learn, and kind of how it works.

Time wise, angels didn't even give their names out when you would go to presentations, but now there are groups of them. And we get 40 to 60 people that come to these meetings at Babson.

It is estimated there are around 250,000 active angels in the United States. I am using—these are statistics from the Angel Capital Education Foundation. And to Laila's point, angels are investing smaller amounts of money. It is usually around \$150,000 to up to, well, I haven't seen anything more than \$2 million. But that is kind of the range, whereas venture capital investments are starting at \$2 million and up.

Chairman KERRY. What is the share of the company that they get on that?

Dr. BRUSH. It depends on where they come in. If it is a biotech startup and there is already funding dollars into it, so the sector would make a difference in terms of when the angels would come in because a lot of biotech companies are grant funded, or university funded and tech commercialization spinoffs.

If it is a de novo startup, then the angels might come in and get a nice little chunk. And if it is a tech business, like a Web 3.0 kind of business that has a faster track; it is going to be acquired faster. It is going to have a liquidity of that event sooner. And so, to Laila's point, some of these companies—

Chairman KERRY. Is there a range? Can you give me a range? Is there some sort of range?

Dr. BRUSH. Of a—

Chairman KERRY. Of an angel, typical angel investor share of a company.

Dr. BRUSH. I would say that is all negotiable.

Ms. PARTRIDGE. I would say generally 20 to 30 percent.

Dr. BRUSH. Yea, 20 to 30 percent.

Chairman KERRY. That much?

Dr. BRUSH. Yes, but you are going to get diluted.

Ms. GREEN. Yea, never below 20 percent.

Dr. BRUSH. You are going to get diluted probably if you need second, different round.

Chairman KERRY. Got you.

Dr. BRUSH. So the amount you are going to get in the beginning is going to vary depending.

Chairman KERRY. Got you.

Dr. BRUSH. But again, and the average amount for the individual investor can be as small as \$10,000. So it is a way for—on the one hand, it is a way for women to participate in investing in companies, but on the other hand, it is a way for women-owned businesses that want to grow, to have access to a different source of capital.

So, again, it is part of this getting the women together with these potential funding sources. And again, not every business is suitable because the angel investors are still looking for tech businesses for the most part. I mean, we do get a few consumer products businesses like Artemis One, for example, is a consumer products business.

But most of them are in the tech space, and we are seeing some women-owned businesses that are presenting. I know that you have something to say about debt financing, and I think that is an important part.

Mr. HAYWARD. I wanted to go to the angel investing as well. We were working with a company, Mr. Chairman, that basically—and this is a commercial again for CWE—that went through the springboard. They went through the whole process. And when it got to the end of the process, they actually had individuals that came to them and said, “Yes, you probably would be very good to have angel investing and VC included.” And as the individual was going back to their office, they began to think, “Do I really want to give up 25 percent of this company that I have built from scratch?”

And so, she actually—it is a minority-owned, African-American-owned business who came to me, and I said, “Are you really in that

position? Is that what you want to do? Wouldn't it be easier to look at something else?" And what we did is, we put them in touch with the 504 Program, and what happened was—is the acquisition of that particular facility really enabled her to grow that particular business without using VC and without giving up 25 percent of her company, which is really, I believe, a flaw basically.

Ms. PARTRIDGE. Your knocking up on 20—20 percent.

So this individual kept her company. She got another loan. We also married her up with a couple of other lenders, and she got a working capital loan on top of it. So really, the springboard and what CWE did from an educational standpoint really puts this minority-owned business to where they should be, which was growing the business by themselves and not looking at the VC side.

Having said that, we look to the State a lot of times, and I know we have tried to do this in Rhode Island, and when I was the acting DD here in Boston, we tried to do it as well, and that is to have—listen, there is no such thing as free money. But the one issue that all businesses, particularly women-owned businesses, seem to be having difficulty with is equity. And equity can take many forms.

We are talking about startups more than anything else. We say you can always get a loan from a family member or a friend, or you can get it from an enemy. It doesn't make any difference to us. But as long as it is subordinated on the balance sheet, it provides as debt equity to going out and getting a 7A loan from a Citizens Bank, or a Bank of America.

And I think if we could concentrate from the women we see that come through the door who traditionally need access to capital—if there were programs such as in the State of Massachusetts, where they could fill that debt equity piece, then we could come in on the other side and help. And you would be surprised at the number of women-owned businesses that would begin to thrive and survive and grow, Mr. Chairman.

Chairman KERRY. Sharon Green, Custom Copper and Slate. Correct?

Ms. GREEN. Yes.

Chairman KERRY. Tell us about it.

Ms. GREEN. It is a small roofing company, but we also are GC. Well, I want to thank everyone who made it possible for me to stand before such distinguished guests. What you were referring to, I think, was the story of when I was going after a large contract, and I had been doing—I had just finished doing a million-dollar contract, which is huge.

Chairman KERRY. Tell us about the business. How many people work there?

Ms. GREEN. Right now, it is between five and nine.

Chairman TERRY. Did you start it?

Ms. GREEN. Yes.

Chairman KERRY. Yourself?

Ms. GREEN. Yes.

Chairman KERRY. When did you start it?

Ms. GREEN. Actually was in Brockton. I started doing the neighbors' roofs.

Chairman KERRY. No kidding. How many years ago?

Ms. GREEN. Back in, actually, say 1994. In 1997, I incorporated.

Chairman KERRY. Good for you. And when did you get—in terms of incorporating, what made you say, “I have got to incorporate?”

Ms. GREEN. Actually, it was my accountant who advised me, and I had no idea why.

[Laughter.]

Chairman KERRY. But you went along with his advice?

Ms. GREEN. Yes.

Chairman KERRY. And do you mind sharing with us what was your family situation at that point? Were you—

Ms. GREEN. At that point, it was actually looking good, considering I had—what got me into it was I had been laid off 2 years and—

Chairman KERRY. From working in what?

Ms. GREEN. Roofing.

Chairman KERRY. OK.

Ms. GREEN. Yes, union actually.

Chairman KERRY. Good for you. Which union were you in—roofers?

Ms. GREEN. Well, actually, it is Local 17. HVAC and roofing, which they call it cornice. It is the fancy roof.

Chairman KERRY. How many years had you done that previously?

Ms. GREEN. I had done 5 years apprenticeship and then 12 years in the field.

Chairman KERRY. Wow. So then you decided you kind of wanted to go out and do your own?

Ms. GREEN. Yes, you know, the unemployment scared me, and I realized it was almost easier going out than—

Chairman KERRY. To fend for yourself, so to speak, than wait for the union job to come along?

Ms. GREEN. Right, and also the politics with it. And it actually just—I figured, what did I have to lose?

Chairman KERRY. Did you have kids at the time?

Ms. GREEN. Yes. I had a son. He was born in 1992. And I think that is what kind of gave me the—

Chairman KERRY. Impetus?

Ms. GREEN. Yes.

Chairman KERRY. Good for you. So then you decided to go out on your own. You started basically marketing yourself, trying to get jobs, working it through word of mouth, networking?

Ms. GREEN. Yes. It started with just neighbors, and also I used to have people coming up to me on job sites when I worked the union and kept telling me that I should open my own. So I—

Chairman KERRY. Good for you. So you had it open now, how many years?

Ms. GREEN. Well, I start with 1997; I incorporated. That is when I legally—

Chairman KERRY. Really got into business?

Ms. GREEN. Yes. And so—

Chairman KERRY. And how is it going?

Ms. GREEN. Actually, this year not as good. But it has been fabulous since 8A. This year, well, the economy.

Chairman KERRY. Yes, just housing, it is hard. The housing problem—foreclosures, and all that.

Ms. GREEN. Construction.

Chairman KERRY. And the business is based in Medville?

Ms. GREEN. Yes.

Chairman KERRY. And most of the work you do is in that sort of vicinity?

Ms. GREEN. Actually, it was at one time. When I lived in Brockton, it was. Then through 8A, it seems I am doing more out-of-State work.

Chairman KERRY. Really?

Ms. GREEN. Yes, I did the big job in Vermont.

Chairman KERRY. Good for you. So 8A has really opened up a new vista for you?

Ms. GREEN. Yes.

Chairman KERRY. So what are your thoughts now about where you would like to go with this, and what the hurdles are that you see?

Ms. GREEN. Well, 8A is a 9-year program, and it just seems I just caught on. And I have, I think, 2 years left.

Chairman KERRY. So you are worried about what we call the "dead zone."

Ms. GREEN. Yes.

Chairman KERRY. When you get to the end of that and you are not quite ready to be out completely on your own, right?

Ms. GREEN. Yes. I—

Chairman KERRY. The transition is difficult?

Ms. GREEN. Yes, I think it is going to be—I wish I had caught on quicker.

Chairman KERRY. What do you mean by "caught on?" Tell us. The company actually caught on, the job or you yourself, in terms of the knowledge—

Ms. GREEN. Actually, both. It took 2 years before I even landed any work in the 8A.

Chairman KERRY. Right.

Ms. GREEN. And I needed that time to learn, and I was still doing my private stuff. I do like a lot of McDonald's. So, and then when I finally figured out how it worked, I started landing small jobs, larger, as I figured out more about the program and how to approach COs and the Government.

Chairman KERRY. Got you. I assume your track record now begins to make that a lot easier? You can just point to the jobs you have done and so forth. So people have confidence—

Ms. GREEN. Yes, and because of it, the bonding; that is the most difficult. And right now, I am bonded for \$3 million. Now, if I don't land a lot of work, that comes down, So—

Chairman KERRY. So what would make the greatest difference to you? As you listen to the comments that you have heard—and some of this is talking about bigger amounts of money and bigger businesses than you are involved in. But you are an essential small business and a critical component of this fabric that we are talking about. What would make the greatest difference to you at this point?

Ms. GREEN. A lot of what they were saying—education. Certainly if there was a program that catered to women, would be helpful, I think. I don't know if you would put like, with 8A, there is a time

limit. Even if you put a time limit, that might be helpful. As long as it does cater to women, setting aside certain work for them.

Chairman KERRY. Right.

Ms. GREEN. It is not always just the money.

Chairman KERRY. So, and does the procurement, does the Federal procurement process, where the Government goes out and starts bidding or asking for bids for certain things, does that make a difference to you?

Ms. GREEN. Yes. Huge.

Chairman KERRY. Big time. Considerably. Because if there is work on any kind of building or whatever Statewise. Is the State doing that?

Ms. SILVA. Let me just talk a little bit about that. SOMWBA came in and did a baseline performance looking at what the economic value of certification is, because why go through the process of certification if you are not rendering any economic value and growing your company and contributing to the growth of the Commonwealth?

And so, as a result of that analysis, I looked at procurement practices, transparencies, and accountabilities, and we need to do a lot of work there. I think that it is sort of vague, and there needs to be more transparency. There isn't a lot to when women- and minority-owned companies are relying on public sector procurement to generate revenue.

One of the things that I found is, there isn't the education relative to the process of bidding, and we are working on that with procurement under Governor Patrick.

As well as the bonding is an issue for women- and minority-owned companies. You have to have proof that you are capable and have the capacity to deliver to large scale-projects if, in fact, you want to be a prime.

As a result of the inability to be bonded, you end up being a subcontractor, which limits your growth opportunities. And I think, again, sort of through an educational forum of helping minority- and women-owned companies to position their companies where they can move from subcontract status to prime contract status will again help to the build these companies and make them stronger.

I think procurement—we need to do a lot of work there at the State, and we are committed to doing that, and we have acknowledged that.

Chairman KERRY. Does the State have a target goal like the Federal Government?

Ms. SILVA. We do. They are not consistent from agency to agency. They are different. They are different, in fact, goals.

Chairman KERRY. We should—Naomi is our chief of staff here, and Karen is staffing this meeting, but I would like to ask them both if they would figure out—I would like to sort of match where we are in Federal versus State and see if we could interrelate a little bit and maybe coordinate the efforts of the SBA and SOMWBA and see if we can't do a better job of trying to make people aware of that.

I will bet you three quarters of the administrators aren't even aware that there is a goal. I will bet you it is higher than three quarters.

Ms. SILVA. They are aware of it. I don't—my professional assessment is that I don't think they understand the impact of achieving that goal and how it is going to diversify the economy here within the Commonwealth and what that contribution really is to all of us in the long term.

Chairman KERRY. Seems like every time I am about to call on somebody, they put up their banner here. Kerstin Forrester, I was about to call on you, president of Stonebridge. I really was. I am not kidding you.

[Laughter.]

Ms. FORRESTER. I am in the real difficult sector of being a machine shop.

Chairman KERRY. Tell us about yourself a little bit. Your business is what, a machine shop?

Ms. FORRESTER. I own a machine shop. I started off in a large multi-national, spent 27 years there. I was actually one of the first general managers for a business unit at Northern Company.

Chairman KERRY. Good for you. Northern, yes.

Ms. FORRESTER. So lots of background, gone through getting funding with a good business plan because I was manager of corporate planning. So I know the value of a business plan and such that that wasn't as big a hurdle to get the financing up front when I decided to go up via small business. And looking at this, it is about \$2 million—employing, depending on the economy, about 15 to 20 people. Right now, it is at 12.

What made me want to talk about this are the goals.

It is fine to set goals, and businesses set goals. But we look at achieving them, and that there are consequences or rewards for achieving or not achieving.

Chairman KERRY. Right. And penalties for not achieving them.

Ms. FORRESTER. I think the Federal goals, there are absolutely no rewards, and there are no consequences. So why set them?

And it is still in manufacturing, it is very difficult, and I think it is particularly difficult for a woman to get into the old boys' network. And it is solid, the glass ceiling at that level is lower than in a male-dominated corporation. So I think addressing that and at least rewarding buyers at the Federal level and Department of Defense for—and even at the primes for trying new businesses.

I don't advocate that you throw out good suppliers by any means. That is not in anybody's best benefit. But look at taking advantage of new companies that offer something because I think often women are much more innovative and diligent in providing these things. So that is—

Chairman KERRY. Well, I think this idea you just raised about the rewards versus the consequences is a very good one, very, very important for us to think about. And I have been deeply frustrated, and I have been 20 years now in the Small Business Committee. I have been Chairman or Ranking Member for the last whatever number of years. And both Olympia Snowe and I, who have rotated in that role depending on who is lucky enough to win the Congress, are deeply frustrated. Deeply frustrated. I mean, we rail against these folks that come up to us about meeting these goals.

And so, you are appealing to our frustration in sort of talking about maybe consequences, and even a reward ought to be part of

it. It is hard to figure out how you reward in the Federal structure. It is not that hard to figure out how you could have some consequences.

Ms. FORRESTER. And—but the consequences need to be painful enough. They can't just be little niggles.

Chairman KERRY. Well, personally, I think people ought to lose their jobs if they don't make it. But I think it takes—and that is one of the reasons I ran for President was the idea that you put people at the table and you say you are going to meet this goal. And if you don't meet the goal, you are not working for us.

And there has been zero accountability in this structure. It is really disgraceful. So we are going to figure that out. We will work on that.

Ms. FORRESTER. Can I add one more thing?

Chairman KERRY. Of course, you can.

Ms. FORRESTER. When you set the goals, I think the certification, self-certification at least in the industry I am in is fraught with fraud. There are an awful lot of male-owned machine shops who will put their spouse's name at the top, say she owns 51 percent, and she often may not—

Chairman KERRY. She doesn't do anything and isn't involved.

Ms. FORRESTER. No, she doesn't even do that. I have worked—and I know a couple of people who have done this that is a stay-at-home mom, which is wonderful. But—

Chairman KERRY. But don't flaunt the system, right?

Ms. FORRESTER. Don't say that you are women-owned.

Chairman KERRY. So they are competing with you under the same, on the basis of the—

Ms. FORRESTER. That is part of the old boys' network, which makes it that much more difficult to get into and change a buyer's mind. I have been told by Lockheed Martin directly, "We don't need any more women-owned machine shops. We have lots of them." There are very few out there—

Chairman KERRY. Wow, and you are telling me that, basically, there really aren't.

Ms. FORRESTER. No.

Chairman KERRY. You are nodding in assent? So how do we get at that? What is the screening?

Ms. SILVA. Well, let me tell you about the work that I am doing with the Federal Government because that is—upon joining SOMWBA, that is sort of its history, and that certainly I have heard some of those stories. And immediately, I called a group of Federal reps together and said, OK, what is the underlying issue here?

And we looked at the regulations, quite frankly. I think that the qualifying criteria in any business, and I think specifically with smaller businesses it is easier to hide things and sort of put things through. And just transfer of ownership, the validation of that, it is easy to put someone else's name and say that you own 50 percent of the company. However, on a day-to-day basis, you don't control that company.

So it really is—we need to rewrite the regulations and some enforceability and what that enforceability would be and what the consequences are.

Chairman KERRY. When you say rewrite it, rewrite it with different criteria or simply rewrite it with enforceable——

Ms. SILVA. More stringent criteria about——

Chairman KERRY. With certification. You say, Kerstin, with certification. How would you do that? How would you do the certification?

Ms. FORRESTER. Yes. WBENC—I am assuming WBENC still certifies women. We actually come in and do a ——

Chairman KERRY. And they do a review.

Ms. FORRESTER [continuing]. Half-day process ensuring that I have gone through the process. They ensure that I know what the business is; I know where the customers are; I sign the checks; I know the employees; I know the product we make.

Chairman KERRY. I like that idea.

Ms. FORRESTER. And so, it is not just that—I have been told that WBENC, they have gone to certify companies and the woman doesn't even have an office.

Ms. SILVA. And we do onsite visits and forensic exams. We have streamlined that process.

Chairman KERRY. Well, that is a very good suggestion, and we will follow up on that, and we will figure out how we might incorporate that.

Help me a little bit, two things have leapt out at me in this conversation. One is the importance of education and, two, the networking. How can we create a synergy with those? What could we do here to—actually, go ahead, Debra. You wanted to intervene, please.

Ms. DEVENNE-ZARBA. Oh, no, no. I had a comment about the WBENC.

Chairman KERRY. Oh, please do.

Ms. DEVENNE-ZARBA. Because I serve on the WBENC Committee under the Center for Women and Enterprise, and it is a different process. They formally apply, and on the committee level, we review the applications, and we decide whether to recommend certification, deny, or further review. And if we recommend certification, it is still subject to a site visit.

And we do go out there, and we do ask to see copies of checks, copies of contracts. We try to assess do they appear to be knowledgeable? Do they know the business? And it is difficult at times because it is questionable because if they meet the test of control, then even if it sort of feels like that they might not be 100 percent up and up, but their articles of organization and their bylaws, clearly the woman has 100 percent control, then we have to certify. So I will agree that we do——

Chairman KERRY. Would you agree with this idea of having a more effective certification process?

Ms. DEVENNE-ZARBA. Well, I don't know if she was referring to the State side of it, which I am not familiar with, because WBENC is separate from the State certification.

Ms. SILVA. Right. But our certification, our qualifying criteria, I think, mirrors each other most definitely.

Chairman KERRY. This is adequate? Because Kerstin seems to indicate that it isn't.

Ms. SILVA. I do think it is adequate. I think the issue is the capability of, I think, historically—I have changed over 70 percent of the SOMWBA staff in the last 10 months. But I think that you need the business experience to be able to go out, because you need to go beyond surface compliance, and you need to look at are you really controlling that company? Are you really going out there, if you understand your competitive market?

And be able to speak intelligently to business owners and ask really difficult questions that you would know through the process of certification you might be able to say, “Hey, wait a minute. That isn’t an accurate statement,” and then refer it over to an enforcement authority. And that is one of the things we are doing now at SOMWBA.

Ms. FORRESTER. But the issue is not passing the certification. It is that the Federal Government does not allow self-certification. So all you have to do is check up. There is nobody——

Chairman KERRY. I understand. I hear you, which is why we have got to do our piece to be—I got you. I understand.

Ms. GREEN. I know of a case where SOMWBA came in and denied this company, and they turned around and hired a lawyer and got in.

Ms. SILVA. And again, that is one thing that I have found and if you look at, you know, I can’t own the future—own the past, but what I can do is own the future, and that is what we are owning now is part of the regulations is there is an appeals process, and it is pretty broad. And it shouldn’t be so broad because we should have voice. And whatever our determination is should hold weight. So that is something that we are putting forward.

Chairman KERRY. Debi Heims, you want to share with us a little bit of your thoughts about H&S Environmental?

Ms. HEIMS. Sure. Appreciate being here, and just wanted to say that H&S is a woman-owned engineering consulting firm, and we are also 8A status. And I wanted to comment—I am kind of jumping here. But I wanted to comment on the SOMWBA certification program. We certainly got certified from the get-go. Our experience, background, we had no problem getting the certification.

One concern I do have, however, is when we, as we grow our business—we have been growing in all the New England States and moving down the coast—we need to apply in each individual State, and the application process from State to State is quite—it is repetitive, and it is long-winded. Everybody wants to see your tax returns. The certification application is this, that.

And it goes into each State, and they all field questions like I just got a letter from Texas as we are trying to get certified down there as a women-owned business. And it is just the basic questions, and there should be reciprocity from State to State.

Ms. SILVA. Are you aware of WBENC? Do you know about Women’s Business Enterprise National Council, which is what Kerstin was talking about? They are an umbrella organization that, once certified, it goes across 50 States.

Ms. HEIMS. In regards to doing work with the Department of Transportation, each individual State——

Ms. SILVA. Oh, I am sorry. I didn’t realize that. They are corporate.

Chairman KERRY. Yes, how would we—that is an interesting dilemma. I mean, how do you simplify that? Each Department of Transportation demands its own due diligence?

Ms. HEIMS. May I take it a step further? If you apply, on that application, the first question it has, it says, “Are you 8A certified?” And you check the box, and it says you can stop right here. But our firm doesn’t know how to transfer the 8A certification to the Department of Transportation and, therefore, we continuously submit the full packages.

Chairman KERRY. Can you transfer it, the 8A, to the Department of Transportation? Mark.

Mr. HAYWARD. Mr. Chairman, as far as I know—and I am only speaking for the State of Rhode Island—if you are 8A certified, it is automatically transferred. I am not sure if she is talking about Texas? Is that right? I am not sure about the State of Texas, but there are others—

Chairman KERRY. Nobody is sure.

[Laughter.]

Mr. HAYWARD. But in other New England States, if you are 8A certified, that is about as far as you have to go.

Chairman KERRY. Well, we could try to work with you to see if we can figure that out. We will follow up with you afterwards and see if there is a way to try to unjumble that. Happy to do that.

Ms. HEIMS. One other thing I would like to say, to comment in regards to the Federal Government. There are many agencies out there that certainly don’t meet their goals for women-owned businesses. But I have to say the Corps of Engineers in our district has gone above and beyond to hold their prime contractors accountable to the subcontractors. I mean, we have built our business being a subcontractor. And we haven’t really been a prime, and we are looking to take that step and the leap. And certainly, all the financials are worth it, the banks and stuff would give us. As we look forward, it is a great—it would be wonderful.

But from the perspective of being a subcontractor and jumping into that prime contractor role, it would really be wonderful if there could be a women-owned program like the 8A program so we can take the time and really develop our companies to quality that the Government is expecting from us.

Chairman KERRY. Well, that is a good thought. We have got to try to think that one through a little bit. It is a very good, provocative challenge and worth pursuing.

We are sort of nearing the wrap point here, and I don’t want to prolong anything that doesn’t need to be.

But I would like to ask sort of the go-around, give anybody that wants the opportunity to share their sense of what they have heard that they think is the most important thing, or that they thought through, as we try to wrap this up, either in the access to capital, or the networking, or the education, or the procurement set asides.

What strikes you as the most doable and important difference that can be made? That is the question that is put on the table to help frame, wrap up here.

Yes, Doctor.

Dr. JALAN. We have been in several research—we get part of our funding from Federal grants. We have been active in SBIR pro-

gram, but we have also applied to some of the bigger funding opportunities, specifically with the Department of Energy.

And the challenge that we find is the whole issues related to finance, as I was saying. Many of these programs from the Department of Energy are 20 percent, 50 percent cost sharing. For a small enterprise, it is very hard to do that. And even though we have taken the risk to do the cost sharing from our operations on that 20 percent side, I do think it is worth to look into if part of those programs can also be set aside by the women-owned businesses because, as it is, we are competing with the big guys in that 20 percent cost sharing.

So smaller businesses, per se, it is very difficult to compete. And with all the financial challenges that the small businesses have in raising money, this is one way that we do feel that we are putting out our own investment to grow the company. But since there is no mechanism that we can compete effectively, it gets very, very difficult. So just an idea that I would like to just put forth.

Chairman KERRY. Good, good idea that is worth following up on. We will. Did you raise your hand, or are you just waving?

Ms. FORRESTER. I thought we were going to go around.

Chairman KERRY. I will go in any direction. Whoever is anxious to say something. Thank you. Go ahead.

Ms. FORRESTER. I guess what the most important are to level the playing field I think, first of all, making sure that the certification process is clear because I think that gets the attention, that women-owned businesses need to be paid attention to.

Chairman KERRY. In what way, how do you—

Ms. FORRESTER. To get—if they are truly certified and not—

Chairman KERRY. Truly certified. Honestly, fairly certified.

Ms. FORRESTER. Right. Do that and—

Chairman KERRY. We got that. OK.

Ms. FORRESTER. And I think some of the actions, there are real hurdles in accessing, at least from the manufacturing standpoint. The—I don't know if you are familiar with that, but that is Department of Defense. To get in there and take a look at what they are offering, small businesses like mine, I can't afford the resources to go in and mine that and find the opportunities that are there. And there are a lot of them.

Chairman KERRY. We have actually—we have some done stuff with that. We have had some discussions with DoD and others, both about—I mean, this has come up in the context of the procurement levels, of what is open to procurement. Last year, we actually opened up—one of the things I am proud we did was open up Homeland Security Department because they were exempted, and that is a huge portion of the budget.

So we got that opened up, but we still have to do a better job of getting them to just follow through and meet the goals. As I said, there are billions of dollars at stake in that differential. So we are going to stay on that. I promise you that. We are.

Kate, I apologize. We haven't heard from you yet.

Ms. McDONOUGH. That is OK. I can speak up. One of the things that—I run a business center. So I see a lot of entrepreneurs and startup programs, and the men tend to be able to grow up and leave. The women don't have a set point to know when to be look-

ing for money. So the education piece is really key in a women's education.

Chairman KERRY. Now how do we do that? This Goldman idea strikes me as becoming that much bigger in the context of everything I have heard here. That is a big deal, right?

Ms. McDONOUGH. Yes. Can I just say, though, even your initiative, your \$3 million initiative, I only heard about that by mistake.

Chairman KERRY. Really?

Ms. McDONOUGH. And I think I qualify, actually. So, because I went to an event that was put on, it was mostly men that were in attendance, and it was for women and minority-owned businesses. There were 10 women which were panelists, 40 men, and 6 women. And to me, they missed the mark. So I wanted to bring—

Chairman KERRY. Where was this?

Ms. McDONOUGH. This was in Beverly that I attended this event. But we just brought it out to the Merrimack Valley, and we—

Chairman KERRY. What was the event called?

Ms. McDONOUGH. I think it was just called The Initiative. That is what we referred to it as.

Chairman KERRY. It was the initiative to bring people together to have this exchange.

Ms. McDONOUGH. Oh, the women's collaborative sponsored it to bring it out of the Merrimack Valley venture forum, to bring it to the women and the minority businesses within that region.

Chairman KERRY. So we have to do a better job of making sure that networking/education gets out there?

Ms. McDONOUGH. It didn't get out there. And the problem, the issue that most of the women who attended this, we were very concerned, here you have appropriated the \$3 million. None of us have heard about this. Therefore, we are afraid you won't go back and do it again because it appears that there is a lack of interest.

When it wasn't actually lack of interest, it was—

Chairman KERRY. Right, it was lack of awareness.

Ms. McDONOUGH. Yes.

Chairman KERRY. How would you reach the folks, particularly the folks who aren't already in the network and, therefore, are unaware of this? The folks who are struggling that don't know where to go? How do you reach them—PSAs, public service announcements? How would you—

Ms. McDONOUGH. There are women's organizations. None of them—I called them. I asked them if they were aware of this. You have the National Women in Business. So there are a lot of things.

Chairman KERRY. So more responsibility incumbent on the people administering these programs to make sure they are covering the broad waterfront in terms of inclusivity.

Ms. McDONOUGH. I would like to see that.

Chairman KERRY. No, I think it is very important. That is what I was getting at in terms of networking. We can do a better job of that, no question about it. People don't talk to each other. They tend to be firefighting. They tend to be in survival mode and just trying to get from point A to point B. And it is hard to become proactive. So we need to figure out how to do that more effectively.

Ms. McDONOUGH. And how do people get their news? It is very difficult today. You filter out so many things. You know, just to—

Chairman KERRY. I agree. All right, anybody else want to add something as we wrap up?

Mark.

Mr. HAYWARD. Mr. Chairman, first of all, one of the reasons why the Administrator asked me to come today to represent the districts at this particular roundtable is the fact that I am currently the district director in residence in Washington in his office. I have taken copious notes, and I am certainly going to have the opportunity to brief him.

And one of the reasons why he has a rotating district director though is to get the field sense as to what is happening out here in the field, and then after I leave—from Oklahoma will be rotating in on April 1. But Mr. Chairman, the programs such as CWE clearly are a great asset to women-owned businesses and those who want to get into the business field, who want to be entrepreneurs.

And I think, as advocates, district offices will continue to work with CWE to make sure that their programs are hitting the areas that absolutely need to be hit from a networking standpoint. And also, the district offices, Mr. Chairman, are willing and able to go out and assist women entrepreneurs in finding the access to capital.

We know that it is difficult, but we have worked on a daily basis with the Citizens, Bank of America, and the community banks, some of them are actually looking for loans, and as we tell everybody, do not stop at one bank. Go to multiple banks to get that business financed.

So, Mr. Chairman, from our standpoint on the SBA side, we will continue with women's procurement issues. In fact, we have partnered with CWE and others to put on women's procurement events because there is a lot of construction that is happening up here in New England.

In fact, right in the Newport War College, there is \$100 million of new construction that is happening. I have talked to the Doctor before, the fact that we want to have women and disabled firms go for those contracts, and we have done a number of things here with my colleagues here in Massachusetts and around New England. So we will continue to do that.

In fact, Mr. Chairman, as we sit here today, the gentlelady from Maine is having a similar event where Sandy Blitz, the regional administrator, is also talking about these very same issues on how we get more procurement, more women in procurement, more disabled vets in procurement.

So, Mr. Chairman, I pledge to you to tell the Administrator and the deputy what we have done here today.

Chairman KERRY. Thank you very much for doing that. We really do appreciate it and appreciate the sensitivity of listening at this point and trying to respond to these things.

I know, Eydie, you have got to leave early. So why don't you shoot quickly, and then we will go over to—go head. Do you have anything to add? Oh, you are just have to run away. We thank you very, very much for being here. Really, it is wonderful to have you here. We are about to wrap up momentarily anyway. But thank you so much.

Yes, Ms. Brush.

Dr. BRUSH. One thing, and when you began this discussion, Senator, we talked about the numbers of women who had applied for funding through venture capital or through other sources. And that is actually something that the Government could help with, and that is to provide better data.

Because I am aware that the CBO survey for census was discontinued. And so, we actually know less about women business owners and what they do than we did in prior years. And so, adding, making more data available and actually answering that question of how many women are actually applying would be great either through a key process or through—

Chairman KERRY. And part of that is—I hate to say it, and I have been very critical of the Administration for this. And I think appropriately so, incidentally. I know you won't be surprised to hear that. But this is the biggest single budget cut agency in the Government today, which is ridiculous. It is insulting.

And I know you are not saying anything, Mr. Hayward, but everybody is being asked to do more and better with less, and it just doesn't work after a certain point. It takes people to collect data. It takes people to go out and educate and do things. It is labor intensive. So we are sort of tired of hearing that.

And this is bipartisan on the Committee. Olympia Snowe would sit here and say the same thing, as would John Thune from South Dakota and Johnny Isakson from Georgia and so forth. People are really trying to get the CBO folks to—the OMB folks, excuse me, not CBO—the OMB folks to wake up and realize what is happening.

So bottom line is I hear you on the data. We are—I got \$100 million—people don't know this, incidentally—into the budget last week, thanks to Kent Conrad and our budget efforts, for small business. I am plussing up the small business budget by \$100 million, and hopefully, we can do 7A and outreach and procurement and a lot of other things better as a consequence of that. And I hope we can hold it as we go forward. That is our hope anyway. Elizabeth and then Debra.

Ms. AMES. Very quickly. What I heard most from this conversation is if this problem were a business problem, we would analyze it that it is a distribution problem. So we have a problem with information. We have a problem with access to capital. We have a problem with education. We have the need on one hand. We can't get it to the people on the other hand.

The reason CWE is cited so often is we have such a high-quality output. So if this were a business, what I would say is why don't we test the distribution channels? Why don't we see if there is a way we could come up with different solutions and pick the ones that are the highest yield, the best quality of women entrepreneurs that come out of it.

Doesn't need to be a huge test. We could do it in Massachusetts. We could help here at CWE. All of us around the table could come up with something that could be—

Chairman KERRY. Well, let us try to do that. It is a good idea.

Ms. AMES. Well, you will have something to base what you—

Chairman KERRY. I think it would be terrific. It would be great. It would help us leverage all of the other places.

Ms. AMES. And the reason for this is right now the distribution channels for capital are the VCs and the banks. And both of them are being increasingly squeezed in the liquidity squeeze.

Chairman KERRY. Got you.

Debra. You are going to solve the liquidity right now.

Ms. DEVENNE-ZARBA. Yes. In terms of leveling the playing field, it is a small thought and it might be more immediate. But I think for the women-owned businesses who go through the trouble to go through training, whether it be Power Up! or some other program that is out there, but if they are going through this expensive training, they should get some kind of certification, and that should one-up them in terms of going to the bank to get that loan.

And so, to me, that is a partnership that is collaborative, that is bringing the parties together that is helping a women-owned business who is serious. It is helping her establish that network.

Chairman KERRY. I think you guys ought to really think about how you do that. You should take the lead because you are the lead agency. You have got the best leverage fulcrum, and you ought to be able to pull the parties together in a proactive way to help make that happen. And we should try to figure out how to do that.

So last comment?

Ms. GREEN. I just wanted to reiterate that the 8A program is great. I think women need something to be set aside for them similar, and also that not all the procurement agencies, they seem to be giving it to the same people in 8A, and they are the larger companies.

Chairman KERRY. Yes, we have been having a fight about that. It gets filled up fast, and then it gets filled up by large—I mean, that is part, that is a reflection of a number of different things, the amount of money available and sort of the ease with which it gets dealt with that way. I mean, it is a lot of different things. But you are right. It should be shared among smaller and more.

Ms. GREEN. Yes, if there is any way that—again, the goal might be—

Chairman KERRY. Well, we are going to take a look at that. We are going to discuss this 8A thing when we go back.

Ms. GREEN. OK. And the last was one of the agencies that do work is the PTAC. Well, it is the Mass. Small Business Development Center has been a huge help.

Chairman KERRY. Super. That is good.

Well, let me thank everybody. First of all, I want you to know, and I don't say this casually at all—how much respect I have for all of your endeavors here. I mean, you folks are pioneers in ways that neither Mark nor I can be, simply because we were born into the old network, so to speak. And I really admire it.

It is very tough to break down barriers, always has been. And it takes a kind of perseverance and an attitude that is very special. So I salute you for that, and particularly those of you who are on the front lines as CEOs and founders and practitioners at that level, and those of you who are helping, Elizabeth and everybody else, who provide the service. All the service folks here are just as key.

What we have got to do is get more awareness, improve rapidly the education opportunities and the networking opportunity, and

then probably the access to credit and equity and capital and so forth will improve very rapidly as a result of our doing that.

But keep on keeping on. I mean, keep on talking about this and helping us to be aware of our own better opportunities to try to network and make good things happen. And I am confident that if we could plus the budget up a little bit, which I hope we will do, we can make a real difference.

And at this time of illiquidity and lack of confidence and so forth, it is even more critical because you have got so many folks who are on the edge or just starting off, and the worst thing in the world would be to have them all sort of crushed at the startup because of the economy now. So this is a moment where the SBA ought to be doing more, not less, in fact, and my hope is that we will be able to.

So this record, we will kind of—I don't think we will keep this record open. You want to? Will there actually be any questions submitted? Well, if anybody had any additional questions for the Committee, I want to leave them the right to do that. But I will leave it open for about a week, which means somebody might ask something of you for further inclusion in the record.

And if you want to submit anything, if any of you wrote anything, if you had a prepared testimony, all of it will appear in the record as if you had spoken it in full. So if you leave those here with us, we appreciate that very, very much.

[The prepared statements of Ms. DeVenne-Zarba, Ms. Forrester, Ms. Green, Ms. Heims, and Representative Richardson appear in the Statements for the Record.]

Chairman KERRY. And again, thank you. This has been very helpful, and it helps to focus our efforts down in Washington, and we look forward to continuing.

Pam, do you want to add anything?

Representative RICHARDSON. No, I just thank you very much for inviting me to be part of this. And I am looking forward to hopefully getting a copy of the transcript so that I can sort of digest it all again.

Chairman KERRY. We would be happy to do it. And we want to thank our reporter, who has been busy. I thank you so much.

So, with that, and all who took part and for the Framingham State folks who helped to make this room available and everything, and to my staff, I appreciate their efforts, thank you very much. We stand adjourned.

[Whereupon, at 11:56 a.m., the hearing was adjourned.]

STATEMENTS FOR THE RECORD

PREPARED STATEMENT OF THE HONORABLE PAMELA RICHARDSON, STATE REPRESENTATIVE, MASSACHUSETTS HOUSE OF REPRESENTATIVES, BOSTON, MASSACHUSETTS

Good morning. I would like to thank Senator Kerry and the members of the Senate Committee on Small Business and Entrepreneurship for inviting me to participate in this important roundtable discussion.

Let me welcome all of you to my hometown of Framingham which I proudly serve in the Massachusetts House of Representatives. As you may be aware, Framingham State College has a long history of helping women obtain the skills necessary to lead successful careers and fulfilling lives. Women from every background have realized their dreams in large part through the education opportunities available to them at this fine institution of higher learning. Framingham State College is indeed a fitting place to hold this type of discussion.

Prior to serving in the State Legislature, I worked as a real estate agent here in Framingham. While a majority of my colleagues were women, I quickly noticed that those in leadership positions within the firm were all men. I often wondered why this was the case when there were so many smart, talented women thriving within the organization's sales ranks.

Now that I serve in the State Legislature, I am a member of the minority. Only 25 percent of my colleagues are women. While we scored a victory recently when Senator Therese Murray became the first woman Senate President, we still have a long way to go.

While I am optimistic that we are in a state of transition, and the way women's roles are perceived has undergone a transformation recently, more changes need to take place in order to level the playing field in business as well as in politics.

Women in Massachusetts are fortunate to have access to the State Office of Minority and Women Business Assistance which promotes the development of certified minority business enterprises, women owned business enterprises, and minority non-profit and women non-profit enterprises.

Through this office the Commonwealth spends \$240 million on Women and Minority owned businesses, specifically offering services in certification, enforcement, business assistance and advocacy.

This is just one program that is making a difference for women in Massachusetts and it is the type of initiative which needs to happen if we are to achieve full equality in the workplace. I am looking forward to a thought provoking discussion today on this important topic and working with the Senator, and members of the Committee to make sure we are doing all we can to help women business leaders overcome hurdles and succeed here in Massachusetts. Thank you.

I would like to clarify my answer to Chairman's Kerry's question of "Does Citizens have programs for women owned business?"

The Bank does not have direct programs at the present time to support women owned business. The Bank has indirectly for many years supported women owned business as follows:

Non-profit Organizations:

Center for Women & Enterprise – charitable support and board representation

The Commonwealth Institute – charitable support and board representation
The Commonwealth Institute is a dynamic organization that helps women entrepreneurs, CEO's and senior corporate executives grow their businesses. The cornerstone of our approach is peer mentoring. We have found that interaction with other entrepreneurs who have faced the challenges building businesses, is one of the most effective modes of learning.

ACCION USA – \$1 million investment and charitable support
ACCION's mission is to make access to credit a permanent resource to low- and moderate-income small businesses owners. By providing small or "micro" loans to men and women who have been shut out of the traditional banking sector, ACCION helps build their businesses and increase their incomes. Per Accion, 40% of clients are women; 80% are women, African Americans or Hispanic.

Martin Luther King, Jr. Empowerment Center (MLK Center) – charitable support
MLK Empowerment Center is a community-based operation focusing on Business Development, Business Incubation, Job Training and Placement. Clients are provided technical support and business training skills in the areas of accounting, cash management, employee relations, technology and business planning. The Center offers attractive, quality office space, office equipment, supplies and furniture, conference rooms, internet access and secretarial staff resources to small, and start-up businesses.

Community Partnerships:

SBA lending programs
MASS Community Development Finance Company
The Business Development Company

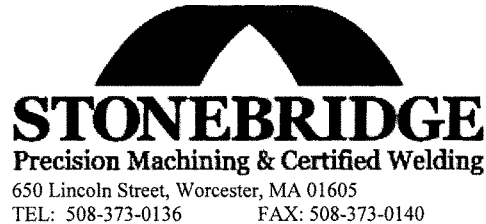
Joint Programs:

State Treasurer Cahill's Job Growth Task Force: loan pool (loan size: \$10m - \$500m) supporting low to moderate income communities

Thank you again for the invitation to participate.

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◆ CUSTOMERS ◆ COLLEAGUES ◆ COMMUNITY



Women business owners face several barriers in competing for federal contracts. I have owned and managed a small manufacturing company for the past nine years and have yet to receive any meaningful federal contracts.

One of the major barriers is certification. Self-certification allows male owned and managed businesses to place a woman's name (often their spouse) as the head of the operation, stating that she has 51% ownership, while, in fact, she has nothing at all to do with the company. I have encountered several businesses that are classified as woman-owned but that's by title and paperwork only – no woman in sight, and if she were asked to tell you about the business she would not be able to do so.

As proof, I was told by Lockheed-Martin that they did not need to add any more woman-owned machine shops because they had plenty of them. I would challenge that statement knowing that there are *very few* that are actually owned and managed by a woman. I have been approved as a supplier by two Primes, but have yet to see any kind of business come my way – not even a RFQ.

The SBA (8)a certification was enormously time-consuming to apply for and I received very little help from the SBA in preparing the documentation; once submitted it was flatly denied because the examiner didn't believe that I was disadvantaged – my basis was that the machine shop sector is a very difficult place for women. One of the first questions I'm asked is, "Why would a woman own a machine shop?" It is definitely considered a man's domain!

When I first purchased the business, I had two former customers tell me outright that they would not do business with a woman – that was at the first meeting and they knew nothing about me. One engineer actually told me that machining was nothing that a woman could understand.

Another barrier is trying to access business through DIBBS; it is not necessarily a difficulty just for women-owned business, but for small (less than 20 employees) business overall. Although I have worked closely with PTAC to try to gain access to contracts on the DIBBS board, I have not had much success.

The DIBBS board is cumbersome and it's difficult for a company my size to be able to dedicate the resources necessary to mine this software. Very small, but qualified, companies like mine cannot spend the hours needed to sift through the various sites within BSM/DIBBS.

Unless you've previously made a part for a government prime contractor and have the exact NSN you are just wasting valuable time on parts that may not have the technical specifications needed to even bid; if you do find the technical info, there is often data missing; the system bounces you to many different links to determine if you can even qualify to bid. The system is really only useful to those shops that were on the front end of the procurement process with the prime. If we make parts for a

prime, we then need the ability to access spare parts by NSN data; that is often not the case – there is a coding that removes the capability to track from the original part to the NSN.

There is still very much an “old boys” network in place. That’s not to say that buyers should be changing suppliers constantly – I believe in keeping good ones until they give you a reason to change, but there should be a place for new opportunities as well in any business.

The Federal goals have no reward or consequences to them! This is a must if the program is ever to succeed and move forward. Is there really a commitment at any level? Nothing happens if the goals are not achieved.

Perhaps rewarding Primes for using “new” small businesses each year – even if they haven’t met the goals, would remove some of the barriers. Something is better than nothing and if they’re making progress, reward them!

A penalty for not meeting goals year after year might also be a good incentive to give small businesses an opportunity! There needs to be some bite to the consequences of not changing. ***Hold people accountable!***

Let’s face it, there are a lot of excellent companies out there that are women-owned and small. Not giving them opportunities often prevents some very positive economic impacts for both the Prime and Federal government, and for the supplier.

Matchmaker events could be much more useful; there is not enough time allotted to meet the Primes and often the people representing the Primes at these events are not receptive to finding new suppliers. More often than not I’ve heard, “we’ve already got someone doing that”.

There are some positives. One of those is the availability of PTAC to provide training and help in understanding the federal requirements. I have been very fortunate to have a great person to work with – Sandra Ledbetter is one of the most knowledgeable and helpful people I’ve had the pleasure of working with. She has introduced me to a couple of Primes who are working hard to give women businesses a chance. Rolls Royce Naval Marine is the largest.

MassMEP has been a huge help with training for Lean Manufacturing, machinist skills training, and supporting efforts to become a supplier to Primes like Raytheon .

Funding is available, but banks and organizations like MBDC appear to be much more risk-averse when working with women-owned businesses.

In closing, the good news is that we are having this session because that means that there is interest in improving and changing the status quo. As I said earlier, there are a lot of excellent woman-owned businesses that add tremendous value to our economy – let’s ensure that they are given an equal chance to succeed by removing the barriers quickly.

And I have to give my plug for manufacturing: I believe that the USA needs to ensure that we continue building our manufacturing capability and not give it away. We are still the most productive country in the world and manufacturing is an absolute necessity to ensure that we remain a global economic power.

Kerstin Forrester
President & Owner

Custom Copper & Slate, Ltd.

I would like to thank everyone who made it possible for me to stand before such distinguished guests. Keep in mind that I would be more comfortable on a roof with a ripping bar in hand and on that note;

It was almost twenty years ago and I remember being excited to become a member of a Local Trade Union and to begin a five-year apprenticeship in my new career. During my time as a union worker, the economy was bad for the construction industry and I was laid off for almost a two year period. It was near impossible to advance in a male dominated industry with their negative attitudes about a woman working in 'their' field, unless you were one of the 'good ole boys'. Being on the receiving end of this male power structure experience helped me become eligible for 8(a) status. Decisions had to be made and I needed to take control of my livelihood in order to ensure something as devastating would not happen again.

I started on my own by first working for my neighbors and tailoring to the needs of the private sector. I graduated to commercial work and eventually became 8(a) certified with help from the Small Business Administration. The District Director, Elaine Guinney, approached me after I had filled out an SBA disaster loan form to help with damages incurred by a terrible fire that the media named the "Newton Inferno" (2001), where everybody had lost their businesses – and several had lost their lives. She talked me into applying for the 8(a) program, and that was not an easy task. I originally had not believed that it was legitimate because other 'women-owned' roofing businesses at that time were certified by the state but, were not in fact run by the women that 'owned' them. She convinced me to apply anyway and I have not looked back since. This is how and where it all began.

Being in the 8(a) program has allowed me to accomplish more than I thought was possible. Currently, I have a bonding capacity up to three million dollars. I never thought that I would be able to bid on million-dollar contracts. Before my certification, I was not able to bid on any new or existing government projects due to bonding limitations and intimidating paperwork. Now, paperwork is effortless and I am adept at keeping of records. Much of this skill I attribute to being part of the SBA network, speaking with contracting officers and learning the systematic approach to government record keeping. Overall, the program has given me confidence and certainly more independence. Within seven years, I've been able to grow my company, which otherwise may not have been possible, thanks to the services provided by SBA, P.T.A.C. (Dan Lilly at Procurement Technical Assistance Center) and those within the Federal Agencies.

However, despite all the efforts, hard work, and contributions SBA provides, it has become apparent that in recent years some members may be overwhelmed. It still feels that decision making officials would prefer talking to a man over a woman regarding construction projects of any type. Some simple everyday frustrations include not having phone calls or e-mails returned in a time

sensitive manner or not having enough resource available. An example is the loss of a contract back in February of 2007. The contract was a perfect match for my company and I was qualified for it. I was capable of handling this three-million dollar roofing project, which are few and far between.

Through contacting the Lead Business Development Specialist, I found that the contracting officer had reportedly bundled this project with another creating a much larger project with a much larger estimate that would have exceeding my bonding capacity. It was suggested that I still bid on the project, when it was well known that my bonding limit would prevent an award of this size. He told me that the project had to be advertised because there were not any other 8(a) certified roofing companies. I later discovered that the project had been awarded for less than the original estimate (under three million) that was within my capacity and that there are 8(a) certified roofing companies besides mine. I spoke to and then emailed my Business Opportunity Specialist who referred me to a Procurement Center Representative whose main function in the system is to monitor the buying agencies. I emailed him and copied the email to various other people within the SBA but never got a response.

I feel that the 'women-owned business goals within the construction industry' are not being met, and that the monitoring and maintenance of these goals should be improved. It appears that if an agency doesn't meet their goals and that there are no repercussions in doing so, then regulations are meaningless. I'm aware that there are very few women in my industry and I can understand why: there are many struggles which we have to endure, and few are available to remedy this.

As great an asset 8(a) is to a minority-owned firm, there is a tremendous need for strictly women-owned set aside opportunities in the construction industry. I hope women today will be encouraged to advance in their field to help women of tomorrow. As a current member of SOMWBA (State Office of Minority and Woman Business Assistance) despite its AMP Plan, where a contractor receiving an award or contract is encouraged to sub-contract part of that job to other SOMWBA-certified companies, I have yet to receive an award. This type of system, will only work with monitoring and consequences.

In closing, I believe that a W.O.B. (women-owned business) set-aside program would advance women onto a more 'level playing field'. As a woman in the construction industry, I really appreciate being given this opportunity to be heard. We've come a long way, but have a longer way to go.

Sincerely,

Sharon Green
President

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Senate Committee on Small Business and Entrepreneurship
Debi Heims – H&S Environmental, Inc.
March 19, 2008

Thank you for the opportunity to speak to you and the other participants at this roundtable forum. My name is Debi Heims and I am the President of H&S Environmental. H&S is an 8(a) woman-owned environmental consulting and engineering firm based in Westborough, Massachusetts with a satellite office in South Carolina.

With over 15 years in the environmental industry and over ten years working with the federal and state governments, I am honored to represent the women owned businesses in our industry.

H&S has been both a prime and a sub-contractor to the government. We have worked with many Federal and State agencies including the U.S. Army Corps of Engineers, the United States Navy, the Coast Guard, the Massachusetts Division of Capital Asset Management (DCAM) and the Mass Bay Commuter Rail.

I personally have served as the Society of Military Engineers Post President for the Boston Chapter as well as co-chaired the Regional SAME Conference in 2006. I have been recognized by Brigadier General Meredith Bo Temple by receiving the Commander's Coin as well as receiving the Patriotic Civilian Services Award from Lieutenant Col Brian Baker.

Finally, I want to take this opportunity to thank all the people who believed in me when I started this journey over five years ago. I would like to extend a special thank you to Ms. Sandra Ledbetter, my PTAC (Procurement Technical Assistance Center) representative, for all of her guidance and excellent advice. And most importantly, I want to thank my husband, Steve; without his support for me and our family, this success story could never be told.

While I consider H&S to be a moderately successful small business, we struggle, like most small businesses everyday to survive. Not only are we forced to compete against large firms (up to 500 employees) for prime contract work, but more often we are competing against other small business firms for the precious few available subcontracting opportunities.

Thank you again for inviting me to this forum and I look forward to addressing your questions.

I. Federal Procurement/Women's Procurement Program

(a) There is a huge barrier to entry to play in the federal marketplace. For the past 5 years, we have grown our business as a subcontractor to large business prime contractors to "build our resume" in order to be taken seriously as a real player in larger contracts.



We have been successful in this subcontractor role. But it is difficult to step into the prime contractor role. Let me provide you some additional background on why this is the case.

H&S received its 8(a) status in December 2005, and has just received its first award through the 8(a) program in Jan 2008. That is 3 years into the 8(a) nine year program. We are 1/3 through this program with one contract to show for it. One suggestion that would make this program much more valuable is that the clock to expiration should begin when the first contract is awarded to the 8(a) contractor not from the time you are certified. Also, I would suggest that a true women's set-aside program (not just goals) at the prime and subcontracting level would allow woman-owned businesses the opportunity to grow as a prime contractors and also might allow us the opportunity to compete with the "big boys" and more established firms on some of the more substantial contracts.

(Note: It seems absurd that the RAND study found that only four industries were "under-utilized" including: National security, coating, heating & engraving industry, kitchen cabinet manufacturing and other motor vehicle dealers. There are many industries in which women owned businesses are under represented.)

(b) There is such a disparity between the NAICS codes in the environmental industry it is frustrating.

For example, NAICS Code 541330 – Engineering has a small business cap of \$4.5 million which is an incredibly low threshold. While the Remediation NAICS code – 562910 has a threshold of 500 people. When the government solicits under the remediation code, unless we joint venture with a large business – we could never demonstrate the depth and breath of experience as a 10 person firm compared to a firm with 499 employees. The true small businesses need to be considered in the 5-15 million dollar ranges. I recommend that you review these "small" business classifications.

(c) Federal funding is also a major issue. H&S is a subcontractor on a very successful team with Jacobs Engineering as the Prime at the New Bedford harbor superfund site. The Corps of Engineers - New England District has set very high requirements for the prime to utilize small and women owned businesses (which our firm appreciates) and we are thrilled to be a part of this team. However, the original funding was \$80 million for this cleanup project. Each year, we mobilize and demobilization for 40 days of operation. The project was initially suppose to run for a much longer season. From an economy of scale, these costs are extremely expensive and time consuming. Each year our 8(a)/SDB status continues to tick away; when we graduate from this program in 2014, as the job exists today it will still not be completed. H&S will never realize the revenue it thought it was going to receive by being an 8(a) contractor on this project.

(d) The "Super 8(a)" program should be re-visited. We are in full support of the Federal Government offering business assistance programs for socially, economically, service disabled and disadvantaged companies. However, the concept that certain groups can get



unlimited contract awards such as the “Super 8(a)” program seems completely unfair and unreasonable. See exemption below:

Exemption from competitive thresholds for Participants owned by Indian tribes. SBA may award a sole source 8(a) contract to a Participant concern owned and controlled by an Indian tribe or an ANC where the anticipated value of the procurement exceeds the applicable competitive threshold if SBA has not accepted the requirement into the 8(a) BD program as a competitive procurement. There is no requirement that a procurement must be competed whenever possible before it can be accepted on a sole source basis for a tribally-owned or ANC-owned concern, but a procurement may not be removed from competition to award it to a tribally-owned or ANC-owned concern on a sole source basis.

II. State and Federal Woman Small Business Programs

On the federal side, it is great to see the various agencies attempt to reach out to small businesses by sending out the “sources sought” notifications for potential business opportunities. However, often these “sources sought” are “bundled” contracts requesting everything plus the kitchen sink, so to speak. In order to be responsive to the government, we have to form teams to fulfill these requests. As small business owners, we have to take normally billable resources and remove them from a task in order to write a response that would be taken seriously. This is extremely costly to the small business with no guarantee of a future solicitation or contract. We often find that the same agency, in different regions, will ask for the same type of requests at different times throughout the year. It would be exciting and more cost effective to everyone if at some point the government agency(ies) could get together as a whole and solicit an annual sources sought for specific types of services that they all use and then share the results among the other offices or districts. In NAVFAC Atlantic there are 7 different regions with the potential of 7 different sources sought requests. The Corps of Engineers has 8 divisions and 41 districts. As you can see the time and effort to respond to each of these could easily be weeks of non-billable hours. A small business can’t afford to compete but can’t afford not to!

The state of Massachusetts has done an excellent job in supporting women owned business by setting aggressive goals. H&S currently works as a subcontractor to large businesses that have direct contracts with state agencies. This is an excellent revenue stream for our firm. However, it would be even more exciting if the state of Massachusetts would be proactive and actually setting aside direct contracts for women owned small business too.

III. Other Comments and Suggestions

GSA Schedules! Where to begin....it takes enormous time and effort for any business but much more expensive for a small business owner to prepare the proposal, negotiate the contract and market the GSA federal supply schedule (GSA contract) once received. There are no guaranteed sales just because you are awarded a GSA contract. Unfortunately there are government agencies that won’t even talk to you if you don’t have a GSA contract. The GSA reserves the right to terminate your contract due to lack of sales. We believe (like we mentioned under the 8(a) certification) that the clock should not start until your first award (especially for small businesses with limited opportunities in the government to begin with). So I propose that instead of the two years



and your contract is cancelled if you've not generated \$25,000 in sales during this time that the clock for the 2 years should begin after your first award(s) totaling \$25,000 (i.e., awarded GSA FSS on 1/25/08 – first contract award(s) totaling \$25,000 not received until 1/25/11 – two year period starts on 1/25/11....under old criteria GSA contract would have been terminated on 1/25/10 with no awards reported and then one must meet a \$25,000 minimum each year thereafter – that \$25,000 annual requirement could remain the same).

I was told that approximately 400 environmental and MOBIS GSA contractors are in the process of having their GSA contracts terminated due to sales under \$25,000. With this cancellation, the contractors are entitled to a guaranteed minimum \$2500 from GSA. If all 400 cancelled contractors request their guaranteed minimum of \$2500 then GSA will be paying out \$1 million dollars just to cancel these contracts. This seems an absurd waste of taxpayers' money.

Another comment regarding GSA Schedules: in order for a government agency to use the GSA schedules they pay a fee to GSA. The agency that wishes to use a GSA Federal Supply Schedule then solicits a minimum of 3 GSA contractors and awards the contract to one of the GSA schedule holders (Note: there is no rotation of the contractors the agency solicits...they can continue to solicit the same 3 over and over again.) The winning contractor (small or large business) must pay an industrial funding fee (IFF) of 0.75% back to GSA in order to do the work. So, in essence they are receiving funding from both parties to have the privilege of being a GSA schedule holder and using a GSA contract.

In summary, the playing field is difficult enough for any business wanting to do government procurement add to that a woman owned small business wanting to do federal procurement and many additional hurdles are thrown in to the mix. Let's face it, no matter what laws are enacted the playing field will never be level but let's take a big leap in faith to enact a women's small business set-aside program and re-visit certification and contract expirations to make them more user friendly to the small business owner.

Once again, I appreciate all you and the Senate Small Business Committee does for the small business community and in particular your interest in women's business issues. I greatly appreciate the opportunity to be here today and to submit my written testimony. I am available to address any questions that might arise based on my testimony today.

Thank you again for listening to our concerns.

