AUTHENTICATED
U.S. GOVERNMENT
INFORMATION
GPO

WOMEN IN BUSINESS

HEARING

BEFORE THE

SUBCOMMITTEE ON
GOVERNMENT PROGRAMS AND OVERSIGHT

OF THE

COMMITTEE ON SMALL BUSINESS
HOUSE OF REPRESENTATIVES

ONE HUNDRED SIXTH CONGRESS

SECOND SESSION

WASHINGTON, DC

JUNE 8, 2000

Serial No. 106–62

Printed for the use of the Committee on Small Business

U.S. GOVERNMENT PRINTING OFFICE
66–167 WASHINGTON : 2000

COMMITTEE ON SMALL BUSINESS

JAMES M. TALENT, Missouri, *Chairman*

LARRY COMBEST, Texas
JOEL HEFLEY, Colorado
DONALD A. MANZULLO, Illinois
ROSCOE G. BARTLETT, Maryland
FRANK A. LoBIONDO, New Jersey
SUE W. KELLY, New York
STEVEN J. CHABOT, Ohio
PHIL ENGLISH, Pennsylvania
DAVID M. McINTOSH, Indiana
RICK HILL, Montana
JOSEPH R. PITTS, Pennsylvania
JOHN E. SWEENEY, New York
PATRICK J. TOOMEY, Pennsylvania
JIM DeMINT, South Carolina
EDWARD PEASE, Indiana
JOHN THUNE, South Dakota
MARY BONO, California

NYDIA M. VELAZQUEZ, New York
JUANITA MILLENDER-McDONALD, California
DANNY K. DAVIS, Illinois
CAROLYN McCARTHY, New York
BILL PASCRELL, New Jersey
RUBEN HINOJOSA, Texas
DONNA M. CHRISTIAN-CHRISTENSEN, Virgin Islands
ROBERT A. BRADY, Pennsylvania
TOM UDALL, New Mexico
DENNIS MOORE, Kansas
STEPHANIE TUBBS JONES, Ohio
CHARLES A. GONZALEZ, Texas
DAVID D. PHELPS, Illinois
GRACE F. NAPOLITANO, California
BRIAN BAIRD, Washington
MARK UDALL, Colorado
SHELLEY BERKLEY, Nevada

HARRY KATRICHIS, *Chief Counsel*
MICHAEL DAY, *Minority Staff Director*

SUBCOMMITTEE ON GOVERNMENT PROGRAMS AND OVERSIGHT

ROSCOE G. BARTLETT, Maryland, *Chairman*

MARY BONO, California
PATRICK J. TOOMEY, Pennsylvania
RICK HILL, Montana

DANNY K. DAVIS, Illinois
RUBEN HINOJOSA, Texas
CHARLES A. GONZALEZ, Texas

NELSON CROWTHER, *Counsel*

CONTENTS

WITNESSES

	Page
Hearing held on June 8, 2000	1
Henderson, Laura, President, Prospect Associates	3
Parker, Suzane W., President & CEO, Ward Global Enterprises	6
Keenan, Linda M., Director of Association Marketing, Lucent Technologies	10
Neese, S. Terry, CEO & Founder, Terry Neese Personnel Services	12
Wirth, Diane M., Representative, Women's Business Institute	15
Mayer, Glen, United Parcel Service	17

APPENDIX

Opening statements:	
Bartlett, Hon. Roscoe G.	32
Prepared statements:	
Henderson, Laura	34
Parker, Suzane W.	40
Keenan, Linda M.	46
Neese, S. Terry	53
Wirth, Diane M.	57
Mayer, Glen	63

FOCUS ON WOMEN'S BUSINESS ENTERPRISES

THURSDAY, JUNE 8, 2000

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON GOVERNMENT PROGRAMS
AND OVERSIGHT,
COMMITTEE ON SMALL BUSINESS,
Washington, DC.

The Subcommittee met, pursuant to call, at 10:40 a.m., in Room 2360, Rayburn House Office Building, Hon. Roscoe G. Bartlett (chairman of the Subcommittee) presiding.

Chairman BARTLETT. Our subcommittee will be in order. Would the witnesses please take their seats at the table.

Good morning and welcome to this hearing of the Subcommittee on the Government Programs and Oversight of the Committee on Small Business. A special welcome to those who have come some distance to participate and to attend this meeting.

On October 8, 1997 and March 25 in 1999, the Subcommittee on Government Programs and Oversight held hearings to showcase women's business enterprises on a national level and to examine issues of concern to women entrepreneurs such as the availability of capital. These were the first hearings in almost a decade devoted to women in business.

Why this commitment to help women start new businesses or grow existing enterprises? Because it is the right thing to do, and because women entrepreneurs are a key dynamic in this Nation's present prosperity. The following statistics which are from the Small Business Administration, speak for themselves: The number of women-owned businesses increased 89 percent over the last decade to an estimated 8.5 million. Second, women-owned businesses generated $3.1 trillion in revenue, an increase of 209 percent between 1987 and 1997. Third, more than 1.4 million women-owned businesses with employees generated $2.8 trillion in revenue. The number of women-owned businesses with employees grew 46 percent from 1987 to 1997. And fourth, revenue of women-owned businesses with employees grew 221 percent from 1987 to 1997.

This hearing is a continuing commitment to spotlight the vital nature of women's business enterprises to the economy of this Nation as a whole and to the communities in which we live. This hearing provides, as did the previous ones, a forum for learning how the private sector is succeeding or failing to meet the needs of women in business and to focus attention on those deficiencies that may exist.

The hearing also provides an opportunity for women business owners to express their views as to the effectiveness of Federal

Government programs designed to help small business owners and those who aspire to go into business for themselves. Congress needs to know whether these programs are succeeding or failing.

Lastly, this hearing provides a vantage point for identifying problems that women business owners encounter as the result of overregulation and burdensome government paperwork. Is the Federal Government a friend or a foe?

In recent years Congress has increasingly supported legislation aimed at helping women start and grow businesses. The Committee on Small Business has supported the National Women's Business Council, Women's Business Centers, and the Microloan Program.

Proposed changes in the 7(a) loan program will help make loans more readily available to women entrepreneurs. It is hoped in the near future that the SBA will be totally out of the business of approving loan applications. This is the case, presently, with respect to more than half of the dollar amount of loans presently being made. The hometown banker will be the decision-maker, not some bureaucrat in a remote location who does not know the lender.

[Mr. Bartlett's statement may be found in appendix.]

Chairman BARTLETT. Again, good morning and welcome to this hearing of the Subcommittee on Government Programs and Oversight of the Committee on Small Business. Thank you very much for coming to the hearing. Let me now introduce our witnesses.

Ms. Laura Henderson, President and CEO, Prospect Associates. She is a member of the National Women's Business Council.

Ms. Suzane Ward Parker, President and CEO Ward Global Enterprises, board member, National Black Chamber of Commerce.

Ms. Linda Keenan, director of association marketing, Lucent Technologies.

Ms. Terry Neese, President and CEO, Terry Neese Personnel Services, Incorporated, cofounder, Grassroots Impact Incorporated.

Ms. Diane Wirth, President, The Solution Works, Incorporated, board secretary, Women's Business Institute.

Mr. Glen Mayer, corporate supplier, diversity coordinator, United Parcel Service.

Thank you all very much for being here at the hearing, and we will begin with the testimony. Oh, Danny Davis has joined us. Mr. Davis, thank you very much for joining us and any comments you would like to make before our witnesses testify?

Mr. DAVIS. Well, thank you very much, Mr. Chairman, and let me thank you for calling this hearing. I think it is a very important one and especially one that we need to pay a great deal of attention to. Women entrepreneurs are an increasingly significant part of the United States economy. Women, of course, own more than 8 million businesses that account for approximately one third of all U.S. businesses and are starting businesses at twice the rate of men.

Surrounding by these stirring statistics, it is the fact that women still encounter numerous obstacles trying to start, maintain or expand the business; obstacles which must be eliminated if we are ever to realize the full potential of this dynamic sector of our economy.

Consequently, the programs offered by the Small Business Administration and women centers provide the healthy social and eco-

nomic environment necessary to cultivate a fledgling business. In spite of all these programs and all of these efforts, and in spite of the fact that we have come a long way towards the development of creating a fair and equitable playing field, we realize that there is still some distance to go, so a hearing like this one should indeed help us along the way, and so I thank you, Mr. Chairman, and look forward to the discussion.

Chairman BARTLETT. Thank you for your remarks. I frequently tell audiences that women-owned small businesses are growing, as you indicate in your remarks, at twice the rate of male-owned small businesses. I remind the bankers they have a lower bankruptcy failure rate. I also note that they are better employers. Women are different than men. Our military has trouble figuring that out, but they are different. Women are more empathetic, they are more compassionate, and I am not surprised that they are better employers. For those same reasons, they are better corporate citizens.

In spite of all these things, women still have many impediments in going into business, and we are focusing primarily on availability of capital and whether our government programs are helping to make capital more available to our women-owned small businesses.

So we will begin with the testimony of Ms. Laura Henderson.

STATEMENT OF LAURA HENDERSON, PRESIDENT AND CEO, PROSPECT ASSOCIATES, AND MEMBER, NATIONAL WOMEN'S BUSINESS COUNSEL

Ms. HENDERSON. Good morning Mr. Chairman, Mr. Davis. Thank you for giving me the opportunity to testify today. I am testifying today in my role as an appointee to the National Women's Business Council, which is a bipartisan Federal panel that provides advice and counsel to the President and to Congress on matters of importance to women business owners.

The Council has played a vital role in leading policy discussions, developing effective strategies which have been fundamental to the expansion and recognition of women business owners as an integral force in our economy. And I would like to submit, for the record, the 1998 annual report of the National Women's Business Council.

Chairman BARTLETT. Without objection, and let me say that all of your written testimony will be made a part of the record, so feel free to summarize it. It will all be a part of the permanent record. Thank you.

Ms. HENDERSON. Thank you. The Council is being considered for reauthorization this year, and I believe you will agree with me that the work that the Council does is vital, and that we have done very much to create a solid infrastructure that has benefited one of the fastest growing segments of our economy.

Twelve years ago in 1988, I testified before the House Committee on Small Business in a hearing to explore the barriers women business owners face and to identify actions that could be taken to enable women business owners to reach their potential and contributing to our economy. The subject of these hearings was the passage of legislation that took three very decisive actions that have had a very major impact on businesses run by women. The legisla-

tion established the National Women's Business Council, and established the Women's Business Development Center programs. Perhaps as important of any action taken in the history of women business ownership was the decision to direct the U.S. Census Bureau to expand the collection of business data to include the largest women-owned businesses, C corporation. The committee should take great pride in the accomplishments of the Council and of the other programs that resulted from this landmark legislation. The legislation truly changed the landscape for women business owners.

When we came to the hearing in 1988, those of us who were women business owners knew that the data that existed did not reflect the reality of women business owners. At that time, the data said that women-owned businesses had revenues of less than $10,000 and had no employees. Today, the data that we have documents the potent economic force of women business owners. The Census Bureau data continues to serve as the basis for both public and private sector research initiatives, and the data that we have from The National Foundation for Women Business Owners tells us that, in 1999, there were 9.1 million women-owned businesses in the U.S., employing 27.5 million workers, and that means that one out of every four employees worked for a business owned and run by a woman, and these businesses are generating $3.6 trillion in sales.

Even more impressive than the expansion is the change in employment and revenues of women-owned businesses. Between 1987 and 1999, employment in women-owned businesses is up 320 percent and revenues are up 436 percent. This means that not only are there more women-owned businesses, but those businesses are larger, more substantial.

Chairman BARTLETT. Excuse me, the bell simply means that we are now going back into session. They went out of session, they recessed briefly after taking a picture of the 106th Congress, and so they recessed the House briefly for reasons that I don't understand. But now they are back in session. Thanks.

Ms. HENDERSON. And these businesses are providing increasingly more job creation and making a greater contribution to the economy.

One of the studies that was done in the last couple of years that I found most interesting was to look at women-owned businesses owned by women of color, and we know that one out of eight women-owned businesses is owned by a woman of color, and in fact, women of color are the fastest growing segment of the women-owned businesses.

The impact of this data cannot be overstated, not only in documenting the power of the women entrepreneurial movement, but in the significance of the research in developing effective strategies for removing barriers facing women-owned businesses. We see that this data has had a phenomenal impact on banks, financial institution's and policy-makers.

The National Women's Business Council has contributed greatly to the base of knowledge on women business owners through its support of research, and one of the things I find best about the Council is that the Council's strategies and approaches have been based on research findings. So they are not merely just ideas, but

they are the results of research that sets a solid foundation to the actions the Council takes.

I would like to tell you of a few of the activities that the Council is doing. The first is in the area of Federal procurement. Over its life, the Council has focused on increasing women-owned businesses participation and Federal procurement. We have been concerned that this marketplace has been closed to women. We are concerned that the Federal agencies have not received the full benefit from the capabilities and talents of businesses owned by women; but we remain seriously concerned that in spite of many efforts by many people, women-owned businesses still receive only 2 percent of Federal prime contracts, about the same percentage that we have received over the past 5 years. If the 5 percent goals set by Congress were reached, women would be receiving contracts worth $10 billion, a $6 billion increase over what we are now receiving.

I would like to discuss specific activities that the Council is sponsoring or endorsing. I would like to submit for the record, a Best Practices Guide on contracting with women, which emphasizes that the most effective tool for increasing procurement with women is the commitment at the top of agencies to do business with women. We are also commissioning a study of the characteristics of women-owned firms who have been successful in winning more than $5 million in government contracts.

This study will identify the characteristics and the opportunities which have enabled these women-owned firms to be successful in this market, and these findings will serve as the basis for developing policy and programmatic recommendations to assist other women entrepreneurs in gaining access to this market.

The Council also supports and urges the expansion of the DOD Mentor Protege Program to include women-owned businesses. One of the exciting activities that the Council has had in the procurement area is to assist in the development of a Web site, www.WomenBiz.gov, that will provide a single point of entry to Internet information on doing business with the Federal Government, and will simplify access to information and contracting opportunities.

Another area that the Council has been very involved in is that of access to credit. We have been watching women business owners' access to banking and have now moved actively into researching the next financial frontier for women business owners, access to the equity market. Women-led technology companies are the newest on the scene, and their access to investment capital will make the difference between success and failure.

The Council has taken the lead in establishing initiatives to ensure access to the equity markets for women entrepreneurs. One of the initiatives is to create a Best Practice Guide on women's access to credit. The Council and the Milken Institute will issue a report this summer that identifies financial strategies that have been successful in increasing access to credit for women launching and growing their businesses, and which deserve replication.

The Council is also hosting a series of very exciting venture capital forums around the country, showcasing women-led businesses before, private corporate, and venture capital investors. This series

of forums is called Springboard2000. The first forum in Silicon Valley presented 26 companies that, as a result of their involvement in the forum, have raised $140 million in capital. A very exciting outcome. We are having these forums around the country, and I would like to invite all of you to the next forum, which will be held in Dulles, Virginia, at AOL's headquarters on July 11th and 12th.

In addition, the Council has hosted, in 1996 and 1998, national economic summits to examine the critical issues facing women business owners and to develop a consensus agenda. Summit '98 resulted in the development of a Master Plan of Action, those serving to foster the growth and development of women-led businesses and the economy as a whole. One of the critical consensus issues from that summit is the need for development of women business owners as leaders and advisors on national, State, and local levels. The Council has made it a priority to work with women leaders in each of the 50 States to support their involvement in local decision-making.

Women entrepreneurs have much expertise to offer in policy development, and we are assisting them in assuming their seat at the table. Further, we are focusing many of our programs on the local and regional basis. For example, Springboard2000. We believe that the success we have achieved focusing on a national agenda must be moved to a more local strategy.

In conclusion, the Council has been extraordinarily effective in fulfilling its role as advisor to Congress and the President. Even more important, the Council has been active in defining what actions are imperative to ensure that our Nation will benefit from the full potential of the fast-growing, dynamic, vibrant part of our economy. The Council has accomplished an enormous amount, and women-owned businesses and our economy have benefited.

The Council has been a catalyst for making our dreams come true. And I believe that the Council is fundamental in achieving our goals for the future. As a member of the Council, I know that none of these accomplishments would have been possible without the support of this Committee. I thank you for your support over the past 12 years and seek your support in the Council's reauthorization. Through this reauthorization, you support the growth and success of women who are starting, leading and growing over one third of our Nation's businesses. Thank you.

Chairman BARTLETT. Thank you very much.

[Ms. Henderson's statement may be found in appendix.]

Chairman BARTLETT. And now the testimony of Suzane Ward Parker.

STATEMENT OF SUZANE WARD PARKER, PRESIDENT AND CEO, WARD GLOBAL ENTERPRISES, AND BOARD MEMBER, NATIONAL BLACK CHAMBER OF COMMERCE

Ms. PARKER. Thank you. Chairman Bartlett, Ranking Minority Member Davis, committee members, thank you for allowing me, Suzane Ward Parker, President and CEO of Ward Global Enterprises, and a member of the board of directors of the National Black Chamber of Commerce, the opportunity to present to the committee on the issues of women business enterprises and the availability of capital.

Let me first give you a little bit of background and explain that Ward Global Enterprises is a global company with two retail stores selling beauty supply products here in the United States in Washington D.C. And Peoria, Illinois. With the ultimate growth strategy of eventually franchising the operation nationwide, thereby offering opportunity to other African American entrepreneurs through the creation of jobs, purchasing of goods and services and providing community participation through scholarships and mentoring. Since our entry into this business, we have been able to provide scholarships for minority students in Illinois and have recently started a scholarship fund for the Howard University Business School.

Additionally, our global reach extends to West Africa to the country of Ghana, where we have established an import business as distributors of hair care products for Soft Sheen International, a division of Loreal. Finally, the company will be launching a Web site within the next few weeks, CEOSISTER.COM, that is designed to offer women of color entrepreneurs information, networking and learning opportunities that will help enhance and promote their businesses.

I welcome the opportunity to come before this distinguished panel to discuss my experience as an African American woman and entrepreneur, and to share with you the perspective of many other women of color who have had similar experiences.

As you know, women have joined the entrepreneurial ranks at an astonishing rate, and you have heard some of the statistics already. And we are projected by 2005 to increase ownership by 77 percent and to generate close to $4 trillion in revenue. This is in spite of the fact that we have not had the same access and availability to capital and contracts as majority males. Businesses that should be up and running and mature are still at the starting gate because of this critical issue.

I continually hear from minority women with fantastic ideas for businesses that, at the same time, relate tales of woe regarding inability to secure capital. These businesses range from technology, trucking, manufacturing, consulting services, wholesale trade, and the list goes on and on. These are very talented individuals, many who have held executive positions in our country's finest corporations and business schools; these are well-trained, experienced and technologically competent people but lacking one thing, capital.

Let me first address the issue of capital. Obviously access to capital is a key ingredient to the success of every business. However, it is the case, the rare case, when a woman, and especially a minority woman, has been able to secure financing prior to opening a business. I have yet to meet one businesswoman, minority or majority, who has been able to secure initial financing for a business venture, therefore tremendous talent is wasted and delay experienced as a result of having to find nontraditional sources of funding, which can be expensive and risky.

The greater loss here, however, is the contribution and impact that we know minority women entrepreneurs can make to a community and to the labor market through the creation of jobs and improvement to economically challenged areas. In 1999, women business ownership increased 103 percent. The economic impact of

those businesses resulted in an increase in employment of 320 percent, and a growth rate in sales of 436 percent. These are impressive figures, considering the rate of traditional funding for those businesses is not consistent with the rate of growth. Clearly, the disparity of funding and the impact of those decisions will have an immediate effect and long-term impact to our economy.

Many women are discouraged from even considering loans due to a number of factors; one is fear of rejection. The reception one gets when approaching a bank is less than welcoming. The typical response from a bank officer is to hand you a stack of brochures and send you on your way. There is no attempt to set up a consultation with a bank official to help guide you through the process or answer questions. Unless you are persistent and a bit pushy, you will not be able to get in front of a decision-maker.

The level of paperwork. Many women, after approaching a bank and then being told the loan must be SBA secured, are turned off by the ensuing lengthy process and the burdensome paperwork.

Let me also add that there are banks that use the SBA loan guarantee as a way to discourage women from applying. Too often, the banks, without a full picture, will very quickly require the SBA guarantee before completely reviewing the applicant's file. The level of consideration and receptivity toward reviewing and writing the loan of a minority woman generally must be tied to the SBA. The banking industry appears to want no risk whatsoever as it relates to minority women. The end effect of those decisions is that it does lengthen the process and provides greater documentation burden on the business owner.

Divorced women have the additional burden of having to not only account for themselves, but must also explain financial decisions that a former spouse may have made both positive and negative that now effect that financial standing.

As a global entrepreneur, finding finance options to start up or enhance a foreign operation is next to impossible. With the exception of letters of credit, my experience of researching alternatives for manufacturing operations overseas have led to continued frustration and dead ends. The appetite of U.S. banks to consider financing of a non-U.S. venture is not there.

One particularly frustrating experience I had occurred after attending a conference on business in Africa and listening to a bank representative express the bank's position and positive desire to accommodate those types of investments. Upon contacting the same individual, I was told that the bank would not even consider loans to that part of the world. He would not even, as a courtesy, look at my business plan. When I inquired why he held negative opinions, I discovered that these opinions indicated his level of knowledge of the region was outdated and out of touch.

Unfortunately I found that attitude to be more the rule rather than the exception. However, these individuals are the decision-makers that make it difficult or impossible to obtain financing.

The other area that needs critical examination is in the area of procurement and contracts. Measured in both the number and dollar value of Federal contracts, the participation of women business owners falls woefully short. Again, although women comprise almost 40 percent of small businesses, of which 12½ percent are mi-

nority women, we only receive 1.7 percent of Federal prime contract dollars and 3½ percent of subcontract dollars. Additionally, in 1999, the SBIC only awarded one percent of the venture capital program to women.

Now as we sit here before Congress, I am very encouraged that this panel is asking the right questions regarding problems and issues. However, I am continually amazed that the issue of contract disparity continues to exist, especially given the approved governmental structure and funding designed to eradicate discrimination in the assignment of contracts with the government. The problem is even more acute with women of color. Ladies and gentlemen, there are qualified women and minorities available with the goods and the service, so I ask why can't we receive our fair share. As the United States is experiencing one of the greatest periods of business expansion, does it make sense that a significant percentage of the business world is being left out or granted less than their fair share of the total opportunity?

What is needed for minority women entrepreneurs to be successful is equal access and fairness to financial institutions and government programs that have unfortunately had a history of discrimination. The American dream should not be so far out of reach as to be inaccessible, especially given the framework that is already there. To address these inequities and begin to see real progress, Congress needs to critically examine why the disparity in lending exists and put the appropriate measures in place to remedy the situation.

Many of us would also welcome alternatives to traditional sources that take into consideration that we do not have the luxury of friends and family with financial resources to help us get started. Far too many of us without trust funds are forced to use our credit cards and mortgage everything to the hilt. It is a statistical fact that 60 percent of women-owned businesses utilize credit cards and finance companies to get started, which indicates that perhaps we are facing barriers in accessing traditional credit and clearly paying more for that credit.

If the well-established banks are unwilling to lend to us, then we need venture capital firms as well as minority-owned banks, and institutions that will see our diversity and experience as an asset and give fair consideration for the unique challenges we face. The government could take the lead in this area by designating part of SBIC funds for exclusive use of women- and minority-owned businesses.

Serious consideration also needs to be given toward reducing the paperwork required as well as expediting the process. There should be an option to electronically submit an SBA application and have the capability to query the status on-line as well. Too much time and resource is spent chasing the bank contact who will typically blame the delay or lack of information on the SBA.

Finally, a proactive approach to access government contract information and bidding needs to be addressed. It is truly shameful as we discuss disparate treatment that the government procurement and contracts process has such a deficient report card. The level of contracts awarded to minority women and women in general must improve. As all women, and especially minority women,

continue to pursue their own businesses and help strengthen our economy, create jobs and opportunity, it is incumbent upon our national leaders to help erase any and all barriers to not only their success, but our country's success.

Again, thank you for the opportunity to address this distinguished panel.

[Ms. Parker's statement may be found in appendix.]

Chairman BARTLETT. Thank you very much for your testimony, and now Ms. Linda Keenan.

STATEMENT OF LINDA KEENAN, DIRECTOR, ASSOCIATION MARKETING, LUCENT TECHNOLOGIES

Ms. KEENAN. Good morning, Mr. Chairman, Mr. Davis, and other members of the subcommittee, and thank you for the opportunity to appear before you today on behalf of Lucent Technologies. Women business owners have been and continue to be an important market segment for Lucent.

Lucent Technologies designs and delivers the systems software silicon and services for next generation communications networks for service providers and enterprises. And of course, we are backed by the research and development of Bell Labs. Today I am going to address two key areas that Lucent has provided support for women business owners, procurement and marketing.

Lucent Technologies has proudly supported Minority and Women Business Enterprises, and we refer to that as MWBE, programs for over 32 years, first as AT&T, and then as Lucent when we were formed, after separating from AT&T on October 1st, 1996. In addition to our procurement focus of our MWBE programs, Lucent has formed strategic partnerships with associations representing business owners, some of these associations include the National Association of Women Business Owners, the National Foundation for Women Business Owners, and the National Women's Business Owners Corporation, and recognizing the opportunities and power of this high growth segment, Lucent has created programs to assist women business owners to be more successful, more informed, and more effective in growing their businesses.

Now Lucent recognizes that MWBE utilization is not only an extension of a social or legislative obligation, but rather a strategic asset that offers real benefit to our bottom line of profitability. Last year with women-owned businesses, we were able to serve our customers more effectively and realize a savings of over $47 million. Lucent Technologies spent over $1 billion with minority and women-owned businesses representing about 9.5 percent of our total procurement. Of that $1 billion, $461 million was spent on white female-owned businesses, and the other 634 million dollar was spent on the remaining minority business enterprises.

By developing ongoing relationships with women business owners, Lucent has benefited from a supplier base that is experienced, technologically savvy and strategically located, and we have a policy of ensuring that qualified women business owners have the maximum opportunity to provide us with goods and services.

From a marketing perspective, Lucent has been a premier corporate partner of the National Association of Women Business Owners since 1997. The relationship with NAWBO has been ex-

tremely beneficial for Lucent to gain visibility, increase brand awareness and loyalty and become better positioned with women business owners. Through some of our dynamic marketing programs, Lucent has provided tools to NAWBO to help grow its membership and educate its members. We have been very successful in taking what started as a sponsorship and building it into more of a partnership, a real win-win situation.

I would like to share a few of the marketing initiatives we have implemented in conjunction and collaboration with NAWBO. As you may know, NAWBO has very aggressive goals to grow its membership. As part of our negotiated sponsorship agreement, we developed and produced a recruitment video for NAWBO to use nationally at the local chapters. It was called, "NAWBO, It's Happening." It has been shown throughout the United States and has been extremely successful in assisting the local chapters to increase their memberships. The video demonstrates the power of NAWBO through real-life success stories, interviews and examples of the diversity of the NAWBO membership, and I am pleased to let you know, too, that "NAWBO, It's Happening" did win two prestigious industry awards for its quality, message, impact and the difference it made in helping NAWBO, and the awards were the Aurora Platinum Best of Show Award as well as the Communicator Award.

As we all know in this room, public policy is an important focus for NAWBO and last year we produced a multimedia program called 20/20 Vision to help NAWBO members learn about the economic impact of women business owners and the importance of their participation in public policy issues. The 20/20 Vision program was training that was developed to inform, educate and update NAWBO members on key public policy issues and to engage more of the members, get them more involved, hear more voices up on Capitol Hill, and get them to participate in transforming public policy. The program consisted of a series of seven videos, which really highlighted the key issues that NAWBO is focusing on with its members, a public policy handbook, and then we also do provide each of the members with a customized Congressional Directory, so they know who they should be in touch with and how to get in touch with them.

We also sponsor a "government watch" section on the NAWBO Web site so that all the NAWBO members can be kept current of everything happening up here on Capitol Hill. Now NAWBO is celebrating their 25th anniversary. Next week is their conference, and we are producing another video; again, a tool for NAWBO to help grow its membership, and we also have another Web-based marketing tool that we developed to help NAWBO and Lucent keep an open line of communication so that we can continue to build on our partnership and understand the needs of NAWBO who are representing the needs of women business owners.

In addition to specific sponsorship of associations, Lucent has also been very supportive of providing opportunities for women business owners just starting out. We recognize that there are a lot of obstacles, and Lucent, in conjunction with Working Woman Magazine, sponsored a "Partners for the Future" grant to honor women entrepreneur start-ups. Two grants were awarded to women entrepreneurs who demonstrated creativity, business knowledge and the

ability to meet unique market needs. And each of these honorees received a $5,000 grant, a Lucent partner communications system, and, of course, a membership in the National Association of Women Business Owners.

The business owners we have supported have been very receptive to our support. I am pleased and honored to let you know we did receive the National Corporate Partner of the Year from NAWBO and several local NAWBO chapters, and I think more important of what I am saying today is really a quote that came from one of the letters from NAWBO, and I will share that with you.

"Each year we look at our corporate supporters and choose one whose partnership stands out, a partner that has provided not only financial support, but also advice, counsel and superlative service to women business owners. Lucent more than meets these standards, and we are proud to present you with this award."

In conclusion, this has been a very successful working partnership from both a marketing and procurement area. We have been able to support women business owners by increasing our procurement objectives year after year, and we will continue to do that, and in addition, our marketing sponsorship and partnership has enabled us to become more visible in providing the information and tools to enable women business owners to be successful.

So I appreciate the time to be here today and I look forward to our continued partnership.

Chairman BARTLETT. Thank you for your testimony, and I wish the Federal Government was doing as well as Lucent is doing. Thank you very much.

[Ms. Keenan's statement may be found in appendix.]

Chairman BARTLETT. And we will next hear from Ms. Terry Neese. Thank you for joining us again.

STATEMENT OF TERRY NEESE, PRESIDENT AND CEO, TERRY NEESE PERSONNEL SERVICES, INC., AND COFOUNDER, GRASSROOTS IMPACT, INC.

Ms. NEESE. Thank you. Good morning, Mr. Chairman and members of the committee. I have to, right on the heels of what Linda Keenan said, I have to thank Lucent Technologies for all that they have done for women business owners as a whole around this country and the partnership between Lucent and women business owners is one that should be the envy of many.

My name is Terry Neese. I am the CEO and founder of Terry Neese Personnel Services in Oklahoma and co-founder of Grassroots Impact with offices in Oklahoma City and Washington D.C. I am past president of the National Association of Women Business Owners and their corporate and public policy advisor. Grassroots Impact represents several small business associations on Capitol Hill, including NAWBO and the National Business Association. I offer this testimony today on behalf of my companies, Grassroots Impact and Terry Neese Personnel Services.

First, just returning from the National Women's Small Business Summit chaired by Senator Bond held in Kansas City Missouri this past Monday, I highly recommend that the committee obtain the issue recommendations from that summit and focus on moving those recommendations through the legislative process. To that

end, I also recommend that the committee establish a task force of small business owners to review the recommendations, establish some priorities and work with the committee to ensure success.

That conference was chaired by Senator Bond, Senator Diane Feinstein, Senator John Kerry, and it was a bipartisan summit focused on issues that affect women business owners.

Now the technology that was used at that conference to vote on the issues that are important to small business was a wireless keypad. So we had instant feedback on the top priorities for women business owners, but I understand all of it will be on their Web site today or tomorrow. So we will have the issues very soon.

The bottom line from what I could view from the answers that were coming over from the wireless keypads was access, access to capital, access to procurement, access to education and training.

Let me first address procurement. For the past 3 years, I and numerous NAWBO colleagues have presented testimony on behalf of the National Association of Women Business Owners, NAWBO, before this committee previously and many others regarding procurement. That testimony called on the Congress to hold the administration accountable for the 5 percent procurement goal enacted by the 1994 Federal Acquisition Streamlining Act. In fiscal year 1999, the departments and agencies of the Federal Government awarded prime contracts totaling 2.4 percent of the total dollar value of all prime contracts to women-owned businesses.

As you have heard this morning, the National Foundation for Women Business Owners recent study shows 9.1 million women business owners employing 27.5 million workers and generating $3.6 trillion, and they are receiving 2.4 percent of government contracts. They make up 38 percent of all businesses in the United States and they are getting 2.4 percent of all contracts. Is there something wrong with this picture?

On Tuesday, May 23rd, the President issued an executive order to strengthen the executive branch's commitment to increased opportunities for women-owned small businesses. In addition, that same day, Senate resolution 311 passed the Senate unanimously. The resolution authored by Senator Bond and cosponsored by Senator Kerry, Senator Landrieu, Senators Bingaman, Lieberman and Harkin, urged the President to adopt a policy in support of the 5 percent procurement goal for women-owned small businesses and to encourage the heads of the Federal Departments and agencies to undertake a concerted effort to meet the 5 percent goal before the end of fiscal year 2000.

I encourage and challenge the House of Representatives to issue a similar resolution showing your support of this issue. While I am encouraged by this show of support for more business opportunities for women business owners, the House of Representatives must make sure the U.S. Small Business Administration acts immediately to implement the President's executive order.

Congresswoman Sue Kelly's resolution is bottled up in committee, and I urge you to either move on that resolution or author another resolution, and then we will have the administration, the Senate and the House standing shoulder to shoulder in support of women business owners' procurement opportunities.

Now on to death tax. One of the most pressing issues facing women business owners today is the death tax. Many have suggested that the estate, gift and generation-skipping tax, the death tax, does not affect enough Americans, but many families sell out early and pay a 20 percent capital gains tax on the appreciation instead of a 55 percent tax rate on the fair market value of all their assets. This means that businesses are sold and jobs are lost in the community because many sell out to larger companies that consolidate and are not subject to the estate tax.

As an example, in the city of Williamsport, Pennsylvania, seven family businesses have been sold to large companies resulting in the elimination of thousands of jobs in that town. As a result of the estate tax, the livelihood of the family members who worked in those businesses was eliminated. Bottom line, the death tax elimination is all about saving jobs for families and their communities.

The estate gift and generation-skipping tax must be eliminated. And I urge this Congress to pass legislation aimed at early phase-out or total elimination now.

Finally, installment sales and cash versus accrual basis. The cash versus accrual issue is a day-to-day pervasive issue for small businesses, and certainly the membership of the National Association of Women Business Owners. The installment sales issue only applies when the business is sold. I believe the only way to explain both of these issues and really bring the message home on a personal basis is to focus on cash in and cash out for any individual.

For example, how would a Federal employee cope with this issue if they were told that since their income for the year would be $60,000, that they would have to pay their taxes up front on the $60,000 before they receive their income? Does that sound pretty ludicrous? That is what has happened with both of these issues.

It is inexcusable for Treasury to issue regulations similar to the above example and circumvent the Regulatory Flexibility Act, SBREFA, and frankly, the legislative process. The Treasury employees are not elected by the people of the United States. So why are they acting and issuing regulations like they are in Congress? Installment sales repeal for accrual basis taxpayers must be reversed. Forcing small businesses to pay lump sum capital gains taxes on the sale of their businesses is wrong.

I strongly support the Herger-Sweeney bill, H.R. 3594, to repeal last year's modification. I also support the cash versus accrual legislation, H.R. 2273, and Senate bill 2246, to protect small business. Mandatory implementation of the accrual basis accounting would be devastating, taxwise, the first year and would necessitate the hiring of a full-time accountant for every small business owner.

Thank you for allowing me the opportunity to voice problems and concerns facing women-owned businesses, and your support is greatly appreciated in resolving these issues.

Chairman BARTLETT. Thank you very much, and during the question and answer period we will have an opportunity to explore more of these problems. Thank you very much for your testimony.

[Ms. Neese's statement may be found in appendix.]

Chairman BARTLETT. Now I am very pleased to welcome Diane Wirth, who is a constituent and has testified before us before, and I see her out in the District because she is a very active member

of the Women's Business Institute, and contributes a lot of her time in helping women entrepreneurs get started on that first rung up the business ladder.

Diane, thank you very much for joining us again.

STATEMENT OF DIANE WIRTH, PRESIDENT, THE SOLUTION WORKS, INC., AND BOARD SECRETARY, WOMEN'S BUSINESS INSTITUTE

Ms. WIRTH. Thank you and good morning, Mr. Chairman, Mr. Davis and members of the subcommittee, for allowing me to appear before you today to testify on women's business ownership issues. As Congressman Bartlett said, I am Diane Wirth, president of The Solution Works, which is a technology training company, and also the board secretary for the Women's Business Institute. My goal during this hearing is to provide you some insight as far as the issues surrounding women's business ownership, and also to provide you solutions or suggest solutions as a purpose of that. There are three areas that I am going to focus on this morning.

The first one is access to resources followed by education and training, which someone else alluded to, and also how these items then tie into access to capital.

The Women's Business Institute is dedicated to empowering women to start or expand their businesses, and that is through education and training, networking and business counseling. Although the Women's Business Institute has been in existence for a 5-year period, it wasn't until July 1, 1999 that we were awarded a grant by the Small Business Administration Office of Women's Business Ownership in order to expand the businesses in the rural areas. We also received additional funding through the Appalachian Regional Commission to continue this work, and the success of winning the SBA grant was due in part to the efforts and support of Congressman Roscoe Bartlett.

As Women's Business Institute's Technology Representative, I provide one-on-one business counseling as well as e-mail and telephone counseling to women entrepreneurs. It is from this experience that I share this testimony.

Access to resources. We receive many calls from women entrepreneurs from Annapolis to Cumberland. Many need assistance in some of the basic factual items in starting a business from where do I obtain license and permit as well as how to take an idea and convert it to a business concept. At the same time, we are asked to assist them in developing their business plans and reviewing and understanding cash flow statements. However, many of the entrepreneurs that we work with and meet with do not know how to use the Internet, and if they do, they are not familiar with or comfortable with searching for information.

The resources available today is a lot more than it was 13 years ago when I started my technology business, and at that time, we only had access to one book in the library on business planning. So what I demonstrate to the entrepreneurs are different Web sites where they can access resource information. This can include information from patent and trademark to where do I obtain business license and permits, also to demographic information such as from the Census Bureau. The on-line business resources can provide en-

trepreneurs with tons of market research, also directories and statistics as well as identify who their competition is.

Many of the owners are not familiar with auction sites, so they are not accessing the on-line resources in order to obtain supplies or equipment for their business if they have an established business.

There is also a lack of mentors as well as support for new and expanding businesses, but there is a surplus of proteges. Although many organizations offer mentor programs, by matching a mentor with a protege, the training on expectations and the continual commitment is often lacking. Oftentimes, the length of time of a request of a protege for a mentor is far too long. So the potential solutions that we offer are several. The resources are out there. But they are not reaching the consumer, and in this case, the entrepreneur.

Like any business, the government needs to make a concerted effort to do the following: market the sites where they provide that information; make the information visibly available in public places, such as the library system or State and county economic development offices; you can also include information in the government mailers. We receive information from the IRS as well as the Department of Labor. Distribute information to civic and entrepreneurial organizations, whether it be the Chambers of Commerce or the home-based business associations, and also create a pool of readily available mentors with particular skills and specialties or offer the mentor some incentive for full participation in assisting a protege.

In the area of education and training, it is necessary to have some access to basic affordable training for women. Many women-owned businesses fail because of lack of training and education. They need the ability to have the opportunity to practice their creativity, confidence, as well as sales and marketing, and topics such as human resource development, learn how to ask questions, how to maximize networking opportunities, and how to determine their fee structure also make a big difference to the success of their business.

Web site—the development maintenance and marketing of a Web site to gain more business. Studies reveal that small businesses, with 500 or fewer employees, indicate that 30 percent of them believe that the Internet is important to achieving their business goals. However, these businesses also believe that the cost, the security and the difficulties in implementing and maintaining the sites need to be addressed. Although small businesses represent 98 percent of all small businesses in the U.S., only 31 percent of them with 100 or fewer employees have a Web presence. Many women are not comfortable in working with numbers. This is absolutely important when operating a business. They have difficulty calculating their start-up costs, their monthly expenses, their cash flow statements and forecasting sales.

So what are the solutions? We can develop additional workshops making them affordable and accessible to women; you can also provide more forums like the Women's Business Institute's Entrepreneurial Workshops where successful entrepreneurs can share their women business ownership story and experiences with those inter-

ested in starting a business, and also to provide small grants for the purpose of establishing Web site presence for increased marketability of their Web sites, would greatly assist women entrepreneurs.

In the area of access to capital, a recent study reported by the Small Business Administration Office of Advocacy found that after controlling for differences in creditworthiness and other factors, the Hispanic-owned businesses were not significantly more likely to be denied credit and African American-owned businesses were about as twice as likely to be denied credit. Interestingly, both of these groups were more likely to withhold a loan application for fear of denial.

There are also many myths about grants. There are special programs for women as well as minorities, and many women who contact the Women's Business Institute feel that they should be privileged and be given a break, so they call us to obtain grants. They are always surprised to find that the grants are very focused as far as programs, that they require grant writers, and that the award of the grants oftentimes takes a lot longer in a time frame than entrepreneurs are willing to wait; and also many of the businesses being started are not nonprofit organizations.

So the solutions we offer are to dispel the myths about grants. If there are truly grants out there and not just the marketing of a book of where to obtain grants from, provide the sources, what areas, what are the qualifications. At the same time, it would be good to know when businesses should look at refinancing a business loan or a combination of solutions, to help them grow their business, continue special programs geared toward women entrepreneurs and make them readily accessible and also understandable.

I hope these challenges described in this testimony can be addressed and that these solutions also be considered. Once again, if any of these ideas are implemented, the government needs to think of ways to increase the exposure of the solutions to its target audience, and in this case, the women entrepreneurs.

Thank you for the opportunity to appear before the subcommittee today and I will be pleased to answer any questions that you have.

[Ms. Wirth's statement may be found in appendix.]

Chairman BARTLETT. Thank you very much for your testimony, and now Mr. Mayer.

STATEMENT OF GLEN MAYER, CORPORATE SUPPLIER, DIVERSITY COORDINATION, UNITED PARCEL SERVICE

Mr. MAYER. Good morning. My name is Glen Mayer with United Parcel Service, and I am the coordinator of the Supplier Diversity Program and the testimony is actually inside the book that you have there. It is inserted inside the booklet.

On behalf of the more than 340,000 men and women of UPS, I thank you for inviting UPS to participate in these proceedings. UPS has long been committed to promoting business opportunities among women-owned enterprises. In fact, one of our longest standing vendor relationships is with woman-owned LPS industries, a supplier of UPS packaging products. From 20 years ago, they did $10,000 a year with us to last year, they did $25 million a year.

It is evident that women-owned businesses have made enormous strides in recent years. However, the potential for continued growth is great and can be attained through collaborative efforts between individual entrepreneurs and corporate and government partners. Through our association with such organizations as the Women's Business Enterprise National Council and the National Association for Women Business Owners, UPS has expanded its commitment to meet the growing needs of today's businesswoman. Our network of more than 100 women-owned suppliers continues to grow.

This growth is fueled by more than 200 UPS supplier diversity advocates around the country who participate in women and minority business councils on a national and local level. As our involvement with these groups continues to increase, so does the success of our program. Taking an active role in programs developed by such organizations as WBENC, NAWBO, the National Minority Supplier Development Council, and the Native American Business Association allows us to remain visible to potential business partners.

It also is an excellent vehicle for three critical components of a successful program, or any government program, you need accessibility, you need communication and you need outreach.

The various trade shows conferences and events are a great way for suppliers to become familiar with our program. This year we will distribute nearly 10,000 applications at trade shows and conferences alone. And that application is going to be accompanied with a conversation about UPS, our program and what opportunities there may be to do business with us.

That is 10,000 face-to-face contacts. Once again, it is extremely important whether you are a private business or the government to interact with your suppliers.

Ease of entry also is critical to a successful program. At UPS the procedure for entry into the program is designed to be supplier-friendly and aims to address any questions at the beginning of the process. Only certified companies are allowed in our program and we do not self-certify. Once a supplier is in our network, we work to align them with the units of our company that would most likely be able to use the products and services they offer. We have also added another layer of convenience to the process by making our application available on-line at www.community.ups.com.

Mentoring and development initiatives are also key components of a successful program. A commitment to helping suppliers grow their business is essential. Once suppliers have proven themselves, we work with them to become a better business and a stronger partner. Development assistance at UPS includes everything from mentoring to sponsoring our suppliers to attend top schools, such as Kellogg and Tuck School.

On occasion, we have provided executives to assist business associations in the areas of technology, finance and record management.

We have also introduced firms to other corporations that may need the services they provide. The UPS approach to supplier diversity will continue to focus on interaction and communication. And we will continue to aim to establish long-term successful busi-

ness partnerships. We know that the continued success of women-owned businesses is vital to the American economy, and doing business with women-owned firms makes good business sense. We look forward to continuing our support of women business enterprises nationwide and applaud them on their many successes.

Thank you for your time.

[Mr. Mayer's statement may be found in appendix.]

Chairman BARTLETT. Thank you very much for your testimony.

Mr. Davis, let me turn to you for your first questions and comments. Thank you.

Mr. DAVIS. Well, thank you very much, Mr. Chairman, and let me just indicate that I really appreciate all of the testimony, and it seems to me that each one of the witnesses really have their fingers on what the problems are.

Ms. Henderson, you mentioned that commitment at the top of agencies have proven to be, perhaps, the most effective way, or the most discernible impact that we have seen in terms of businesses actually contracting or working with smaller businesses or women-owned businesses. And at the same time, Ms. Ward, in your testimony, you talked about the difficulty of having some top agency or top CEOs or people really understand the lay of the land relative to doing business.

How do either one of you, or both, think that we can change those attitudes and those practices? I mean, what do you think will best work to change those attitudes and practices which are humanistic? And it is not really something that you can push a button and get a response or get an action. It is not like the Internet. It is something a little different. What do you think we can do to change those attitudes?

Ms. PARKER. I will respond first to that. I think one of the observations they have made is that you do tend to see an awful lot of activity in terms of very high executive level individuals, both in the public and the private sector that do network and have access to women's organizations and minority organizations as well. Unfortunately, a lot of that activity is what I would consider to be ceremonial.

And so what you have are very high profile activities where you know at the end of the event everyone feels very good about having had the discussion and having learned something. But what is really lacking is the follow-up. The one example that I gave you, which was very striking to me because it was indicative of what I have seen over and over again and that is, you have an official that is part of a panel, part of an event that is representing an organization or a company or whatever, and for the benefit of that particular event, there is a lot of goodwill that is discussed and so on. What tends to happen after that, a month, a couple of weeks, whenever, the follow-up is not there and in my case, things that I have seen are, people who, very aggressively at a conference, ask me to please follow up, please call me, and they wouldn't even take my calls, and that happens a lot. It happens a lot.

So I think there are event opportunities that are occurring, but I think what really needs to happen is for the follow-up to occur. The follow-up not just from the standpoint of I talk with you and you talk with me, but you hear very impressive statistics in this

room, and these are public figures that all of us have talked about. I think we still need to keep hammering home the disparity, factual disparity of what is happening and put a human face on what is happening.

It is very easy to hear these things, a lot of people don't associate them with; they are actually people's lives that are being impacted by these decisions or the lack of decisions, and you hear 40, almost 40 percent of the businesses are women-owned, and then you talk about 2 percent of contracts, you talk about less than 3 percent overall. Someone really needs to take a look at that and put a human face on what that means, how many people don't get jobs, how that equates to the people that have to have public assistance as a result.

Put a human face on it so that it does hit home, and also make people accountable. I would ask the question of, if I spent almost 20 years in corporate America. If I had had those kinds of numbers in the programs that I measured, managed and was measured against, I wouldn't have had 20 years in corporate America. I would have had a very short career.

And so how do we make people accountable for those kinds of things, I think it is follow-up, and it is constantly getting that message out that there is a down side to not doing the right thing, and our economy is impacted by it. It is not just Suzane Parker doesn't get a contract or Laura Henderson doesn't get a contract; it hurts the growth of our economy as well. How do we connect all of those so that people see what is really going on?

Ms. HENDERSON. We have struggled with this, and certainly I have talked before Congress for over 20 years about this issue. I know we struggle with finding a solution. I think one of the things we have to do is educate the people at the top of organizations and have them make contracting with women-owned businesses a priority. We need to hold them accountable: there need to be consequences if they don't meet their goals: and we need to identify very specific actions. I think one of the exciting things of the study that the Council's doing with the National Foundation for Women Business Owners, looking at over 5,000 who actually have gotten government contracts. What can we learn from these companies? What was different with them from other firms? What specific actions can we take?

I think one of my greatest disappointments being on the National Women's Business Council is the fact that when I go to the Interagency Council on Women Business Owners, we do not have agency heads. We have people very low in the organization who come to those meetings. And I think Congress should ask the agency heads why, if this is a priority they do not attend. I think the people at the head of organizations, and I think people in Congress, have a voice and an opportunity. They need to have vision about how to make change happen, but we need very specific doable, tangible actions that people can implement.

Mr. DAVIS. And let me just say, because I think all of us have had essentially the same kind of experiences, no matter what it is that we testify to. What brought me to my question was just last evening I had dinner with two CEOs of major enterprises. One private, one semipublic and another person who was trying to talk

about getting business, and he kept making reference, he says well, you know, Mr. So and so, who is the CEO of so and so corporation, told his people to let us in and they let me in and I am now doing $25 million worth of business with them a year.

The guy on the public side, well, sir, he says now, and all I want you to do is tell your people, and the guy says wait a minute, I can't do that. And so my question is, are there any policies, because I think part of our problem is that we deal in contradictions all of the time. I mean, are there any policies and practices that you can think of from a governmental vantage point or position that is actually prohibiting or inhibiting the ability to move beyond this 2.4 percent that we are talking about as opposed to moving closer to the 5 percent, which is not that great in the first place?

Chairman BARTLETT. If the gentleman would yield for a moment, in a former life, I was competing for government grants and contracts, so I am very familiar with your problem. Let me ask a question and then make a brief point. Once a woman-owned business has gotten a contract, is it much easier to get that second contract and the third one?

Ms. HENDERSON. My company does about, I would say, between $15 and $17 million of government contracts in a year, and the answer is yes.

Chairman BARTLETT. So breaking in was the problem.

Ms. HENDERSON. I think breaking in is the problem, but it is not merely breaking in. You break into one part of one agency.

Chairman BARTLETT. That is true; you have got to fight that battle.

Ms. HENDERSON. Exactly. I think another major issue we face is the issue of bundling, especially in DOD, because we all know that being a subcontractor brings you very little quite often, except a lot of work on the front end and no return on your investment. So the ability to get prime contracts is very important. I think the issue of the old boys' network, which is what maybe you were talking about last night, is an issue that we face, not that we can't get the information on an RFP, but getting the context in which to write our proposals, getting the information on the political environment, the issues that are very specific to, you know, a certain procurement is something that comes from relationships, not from writing.

And so it is very difficult to get in. It is very difficult to move from the civilian agencies to the Department of Defense. It is just an enormous regulatory load. It is the most regulated business in the world, I think. And it also requires an enormous ability to wait. Many of the procurement opportunities that we have involve submitting a proposal and waiting up to 2 years for the award. How can a firm hold the staff, how can a firm start work the day after they award it? They award it, they have waited 2 years and they say now you are supposed to start working and you are supposed to have the resources in place. It is a very complicated process.

Chairman BARTLETT. May I make one point and return to Mr. Davis. I think that the problem is not so much discrimination, but just the nature of the beast. These contract people are very comfortable dealing with people that they have dealt with before, and I understand that because if they let a contract to a new company and there is not a good performance, then they get bad marks from

their supervisors. So they are very likely to let contracts to people they have let contracts to before, because they have a comfortable relationship with them, they have a good track record with them.

I had that difficulty because I did not get my degree at one of the universities, at the people who were passing judgment on the grants and contracts that I was applying for, and these were all medical research kinds of things, got their degrees at these institutions and so I had, like you, to break in. I did that. But it wasn't easy. Once I had that first contract and that first grant, and—but you are right, you must jump these hurdles in every agency you deal with. It is not that you have established a good track record over here that it is going to help you with this other agency. You have got to do it all over again.

I don't know, Mr. Davis, what the answer to that problem is, but it is not just a problem for women. It's not just a problem of minority women or minority-owned businesses. It is a problem with everybody that is trying to break in because you are new, you are trying to break in. And there is hope that this will change. It is changing. I noticed that last year it was 1.8 percent. This year it is 2.4 percent. If you look at a percent increase that is not 5, but even if you go from 1.8 to 2.4, that is a pretty decent increase for a year.

And so we are on our way. I don't know how to solve this problem, and I think it is just a systematic problem of the institution, not so much any act of discrimination. But whatever it is, we have got to solve the problem and that is why we are here.

Mr. Davis.

Ms. HENDERSON. Could I respond to that? In the early days of my company, I had to hire a male negotiator. So while I agree with you, I think it is more complex. When I tried to negotiate, and I am a tough negotiator, I was being accused of crying in negotiations, which I never did. I know when I cry. I have been accused of being pushy, unreasonable for trying to negotiate very reasonable things. When I would send in a male with exactly the same stands on issues, it was very different. So while I agree with you, there is another factor that is playing there, and all of us women who do government contracting know the importance of the facts. In fact, in our meetings, we often sit around and say, "Is this a meeting we can send women to or is it one we have got to send men to?"

Chairman BARTLETT. They are comfortable working with men.

Ms. HENDERSON. Exactly.

Chairman BARTLETT. What we need are more women on the other side of the table, and I hope we are getting there, too, in the government.

Ms. NEESE. Can I respond to a couple of things? Laura is absolutely correct. At Terry Neese Personnel Services in Oklahoma, we have a little over $5 million contract with just one agency, and we don't even want to try to go out and break into other ones, because by the time you get the bid, and spend the time putting all the paperwork and everything together, you get the award. You have got to go work on it instantaneously. That means you probably have to hire more people to go and fulfill the award, and then, I am in the temporary business, I have to do payroll for all those workers every Thursday. So that payroll may be $200,000, $300,000 Thurs-

day morning, and then I don't get paid on that contract for 90, 120 days or even longer. So the Prompt Pay Act, is there a Prompt Pay Act?

Chairman BARTLETT. There is a penalty for not paying promptly. If they are not doing it, let us know.

Ms. NEESE. And the other thing I would like to speak to is, I think it is all about leadership, and the President's executive order, I think, is a good executive order, and if you haven't read it, I encourage you to read it, and I think that you should move forward and make sure that it is implemented. When the president or the CEO of Lucent Technologies or UPS or the President of the United States of America says look, I am calling all my people in, we are going to reach this goal, or we are not going to have jobs, period. In my opinion, it is all about leadership.

Mr. DAVIS. I agree, but I think, I guess it is a little different, and I was trying to compare the President of the United States with the president of UPS or Lucent, and I think there are a few more restrictions like 435 of them here, and another hundred over on the other side, and yet I understand and I agree that leadership is vitally important.

The other question, Mr. Chairman, and I really appreciate your approach to this, because you, too, I don't think that you were a back-slapping, glad-handing kind of guy who got any contracts on the basis of that, and I think one of the reasons they appreciate this committee is because there is an effort to really thoroughly look at situations and try and determine whether or not something can happen beyond the quid pro quo. And this kind of business that we have all lived with so much and that has been such an integral part of life, and so I really appreciate your approach to it.

Recently we marked up in our committee a whole group of small business initiatives, the President's New Markets, one bill that I am a primary sponsor of, the Business Links Program, and Ms. Wirth, I wanted to kind of ask you if you think this approach, what it does is exactly what you are talking about, it just gives the Small Business Administration some money to do it, to establish business-to-business relationships, smaller businesses with larger businesses, and the Mentorship Protege. How effective do you think that really is?

Ms. WIRTH. I think it probably needs a little bit more time, and once again, the exposure to the entrepreneurs that it is there and how it works. I think that for small businesses, to be able to access that particular program and also, what Susan spoke about as far as follow-up, is important. Many of us have spent our days participating in different functions with procurement, Department of Treasury has a large one every year. They are excited when they meet us, you know, one-on-one, and then we call them as follow up and there is no return call.

I think business links could work, but once again, its exposure to the entrepreneurs to let them know it is out there and what the benefits are.

I would also like to say that as a prior 8(a) certified company under SBA, we are one of the 55 percent of 8(a) companies that never received a government contract at all, and the Baltimore Sun

had cited that a couple of years ago, and I think that is really sad that the program is in existence, and it doesn't work.

Mr. DAVIS. And finally, because my question is actually—go ahead.

Mr. MAYER. I was just going to add that this is kind of a rehash of what I just went through with Georgia. The State of Georgia had the same problem and they had asked if UPS would sit, the governor asked us to help them run a supplier diversity program, in essence, in their government, and going through all the things that you just mentioned, you know, what are the problems at the top and everything, they talked through the whole process there, and it all came down to administration, setting the tone, holding them accountable, just all the things that have just been mentioned right here. But the end result of private industry or public you know our company's out there working with government; it really rests at the top, and then putting in the accountability guidelines.

Just like at UPS, I have guidelines and goals that I have to reach. Some are set by the government because you have some contracts with us. Now if we don't reach those, then we near trouble. Well, this is the kind of the reverse that you need those accountability guidelines put in there, and I am anxious to see how this works out, because the Georgia governor intends, Governor Barnes intends on taking it to the other States and working with the same type of problems that you have here.

Mr. DAVIS. The last point is just I followed Lucent and UPS for a long time, especially Lucent, I used to live right across the road from the big Western Electric plant. Plus, I studied Lucent when I was studying psychology in terms of the Hawthorne studies, and all those things that increased productivity and satisfaction, and so I am not surprised. I mean, because Lucent does have a history of being a progressive company or corporation, and, of course, UPS, the involvement with the welfare to work, and Rodney Carroll on loan to help run that for the President. Plus, we have got an excellent program that we work with UPS out of Chicago, and so I appreciate both your companies in terms of what you have done in your own limited way to increase the diversification, but we have got a long way to go in terms of the Federal Government.

Chairman BARTLETT. Thank you very much. We have a few minutes before another single vote. This time it will be a much quicker vote because they are not taking a picture afterwards, and there are a number of things that I would like to get on the record, so we ask that you would stay for a very brief recess, then I will be back as soon as I can. That was just a 15-minute bell. It takes us about five minutes to get from here to there, so we have probably got another 7 or 8 minutes for questions.

Ms. Henderson, you mentioned that one out of eight of the women-owned businesses were women of color. Did I remember that statistic correctly?

Ms. HENDERSON. That is correct, yes.

Chairman BARTLETT. That is about their percentage in our population is it not?

Ms. HENDERSON. I don't know.

Chairman BARTLETT. I think what we are about, what, 12 to 14 percent, so that is roughly the percentage in the population. Has

that percentage come up dramatically recently? Are we doing better?

Ms. HENDERSON. Actually, we see women of color starting companies faster than any of the segment of the women-owned businesses sector.

Chairman BARTLETT. So a couple of years ago it wouldn't have been one out of eight.

Ms. HENDERSON. Exactly. We are just beginning to study that. In fact, the National Foundation for Women Business Institute did the first study on entrepreneurship among women of color, but it is something that we are looking at very carefully. I could get for you, if you would like to see it, a copy of the study the Foundation did, because not only did it look at women of color as a whole, but it broke down women of color by different minority groups, which you might find interesting.

Chairman BARTLETT. I notice Lucent did that. I was looking with interest at your breakdown. You have done a very good job. There were more of your contracts that went to women of color than to white women, correct?

Ms. KEENAN. Yes, that is correct.

Chairman BARTLETT. I was impressed with that. When I first saw Lucent, it was at this small business hearing, how did Lucent get here? Then I read your testimony and understood why you were here.

Ms. Parker, you mentioned several problems that you personally had, and that you think that others have. One is the fear of rejection, it is just not nice to be turned down. I don't know how to get around that. I guess you just need to tell people that the answer is not always yes?

Ms. PARKER. Well, I think the whole idea of a rejection, no one likes to go through that, but one of the issues that you have is, when you have, as we were just talking a second ago about, the number of women of color that are entering the entrepreneurial ranks, I mean, there are discussions that are going on all the time about, where did you get your funding? What was the reception of the banks? And it is pretty well understood that you are going to get a cool reception, and we are not talking about, for the most part, individuals that you know are setting the bar low.

We are talking about many of the people that I speak to that are entering the entrepreneurial ranks right out of corporate America. They have had very high executive level positions. They are very skilled individuals, but the experience is the same across the board, regardless of industry, regardless of interest or regardless of level, that they are coming into the business world. And so you are just not given consideration, you are not given a warm welcome whatsoever. You really do have to dig and scratch and be very tenacious to move forward.

Chairman BARTLETT. You know, in a former life, one of my jobs was, for 2 years, teaching medicine at Howard Medical School here in the city, and near the end of those 2 years, it finally dawned on me that I was no longer seeing people as black or white or Oriental, because we had a number of Orientals there. I was seeing them as bright or dull, friendly or unfriendly. I thought, isn't that where we need to get to?

I hope that one day we can stop talking about persons of color, that we are all Americans, but I know we are not there yet, and to make sure we are not discriminating, we need to keep records. But I think the real goal is that we need, as Martin Luther King said, to be judged by the content of our character and not the color of our skin, and I don't know how we get there.

I think we are making some progress, but there is still impediments, and we want to focus on those to make sure that they are removed as quickly as possible.

Ms. PARKER. Could I make a very quick comment about that?

Chairman BARTLETT. Yes, ma'am.

Ms. PARKER. The issue of the social righteousness of treating people fairly, I am not sure, unfortunately that we will ever get there. The impetus probably should be on enforcement, on accountability, because I think to assume or to wish that people are going to view everyone on an equal level, I mean, we have been struggling with this for many, many years, and I am not sure we are ever going to get there.

Chairman BARTLETT. I hope we get there, and on the way there, I know we have to do the kind of things we are doing today, but I genuinely hope we get there. There are a number of us already there, it is not everybody, but we need to keep working, and we need to keep records as we work to make sure that we are, in fact, getting there.

I was impressed with the record of Lucent. You all are doing a great job. 9.5 percent of your contracts are with women-owned businesses?

Ms. KEENAN. No. Actually, let me clarify that. That is our minority and women-owned businesses. So it is a combination. I think a point of clarification for your past comment——

Chairman BARTLETT. How many of those are women?

Ms. KEENAN. The women numbers, the only ones that we have broken out is the white women, and that is the 461 million, and it is about 5 percent. Now within the remainder, because the remaining is minority business enterprises which are men and women, we don't split that out.

Chairman BARTLETT. But for women alone, it is 5 percent, which is where the government would like to get, and they are about 40 percent of the way there, a bit less than halfway there.

Ms. KEENAN. Right. And the other statistic that I did not include in the testimony is that our procurement to women-owned businesses has increased since 1997, by 25 percent. So when you were talking about where your trending is, ours has increased by 25 percent since that time, and we are at 5 percent now, and then we will be continuing to have stretch objectives going forward.

Chairman BARTLETT. I was impressed both with what UPS is doing and what Lucent is doing, and once again, I noted that almost everything that can be done in the private sector and the public sector is done better in the private sector. Both of you are doing a better job than the Federal Government is and we are trying. It is just that big bureaucracies have a problem. And so I am really pleased that the private sector is leading the way here, and hopefully government will catch up. If you will give us a few minutes, we will recess the committee and be back as quickly as we can.

Mr. DAVIS. Mr. Chairman, let me just say if I don't get back, it will only be because I have to be on the floor for the appropriations activities that are going on there, but if I don't, that is the only reason, because I am really enjoying this discussion. I think it is very meaningful and Ms. Henderson, you did mention one of our big problems and that is contract bundling. Something that——

Chairman BARTLETT. I will come back to that.

Mr. DAVIS [continuing]. We have got to get real serious about doing something about.

Chairman BARTLETT. We have legislation.

[Vote break.]

Chairman BARTLETT. I call our committee back into session. Just before the vote, we were talking about the bundling and the small business problems with bundling. This is an unintended consequence of downsizing some parts of government, particularly Department of Defense where we have had most of the problems. And since they had fewer people in procurement, they sought to have fewer procurements, and the way to do that was just to have one large contract rather than a lot of small ones. The first time we were introduced to that was with moving, and many moving companies are mom and pop shops, they may be affiliated with large moving companies, but the Department of Defense was going to contract with a single company to provide all of the moving for Department of Defense personnel country-wide. This obviously was going to eliminate most of the small companies.

What had been done previously was they would have a competition and the low bidder would get it. So obviously no mover can move everybody in the military, but the winner got as much of the business as they could handle, and anybody else got the business at the same price of the winning bidder. So the government had the benefit of getting the lowest possible price, and also the benefit of having anybody come in, so lots of small businesses could participate in this program.

We recently had a problem with the Navy and Marine Corps. They wanted to let a single contract for all of their communications and telephones that would have cut out lots and lots of small companies. We finally got an agreement with them that 10 percent of the price contract dollars would go directly to small business. Ordinarily, small businesses are looking to work for a prime, and we have legislation that looks at getting the money to subcontractors first by direct payment to subcontractors.

So you don't have to wait for the 90 days that the prime waits for his money, and then the prime lets you wait another 90 days for your money. And meanwhile, you are trying to meet a payroll every week, so we have legislation which will permit, require actually, direct payments to certain categories of subcontractors, so they don't have to wait for their payments.

And a question was raised about whether or not there was a prompt payment law. Yes there is, and the government agencies, if they don't pay on time, they are supposed to pay a penalty. They have to pay at least interest like IRS, they ought to pay penalty and interest, shouldn't they? They do that to you if you are late, even if it is inadvertently late.

Terry, you mentioned the death tax. We vote on that tomorrow.

Ms. NEESE. Good.

Chairman BARTLETT. It is not what I would like, which is to eliminate the whole thing now, but at least we are starting down the road where it will be eliminated. The problem with this is to construct a bill that is not perceived as a tax break for the rich because that is going to be vetoed, and the truth is that the really rich don't need it, but there are a whole lot of people who aren't rich who really need it, and somehow we need to craft legislation to get us over that hurdle, and I hope we are doing that. We will see whether we get there or not with this legislation.

You also mentioned the cash versus the accrual basis for accounting. We had an IRS person at another hearing, and if your gross receipts are between 1 million and 5 million a year, the government has the option of either accepting whatever method you choose, or requiring you to use a different method. If you are over 5 million, you have got to use the accrual method, as I understand it. If you are less than a million, you can use whatever you want, and of course, most people use the cash method.

In questioning, it became obvious that at the end of the day, the amount of tax collected would not be one cent different, whether you paid your taxes on a cash method or an accrual method, and our question to the IRS was why are you then harassing our small businesses? If at the end of the day, you know, when they finally—and I had the company for 10, 12 years, and when I retired, and I liquidated the company, and the taxes that I paid would have been exactly the same no matter what I had done it on an accrual basis or cash basis, and he agreed that was true.

Why then is the government harassing our small businesses? We really need legislation, and there is legislation there, I don't know whether it will make it through committee and on the floor this year, but there really is a need to have legislation that prohibits the IRS from harassing our small businesses. If the taxpayer would get additional revenues by that, then you might see some justification for that, but not a dime different in the amount of money that is ultimately collected; why are they doing it? This is very difficult to understand why they are doing that. So we hope that we can solve that problem.

The installment sales problem, another big unintended consequence, our fault we passed legislation. It just wasn't clear, and it permits the practice if you sell something, and most people can't pay for it all at once, that the tax collector says that you owe it, just as you owe the tax, just as if you got the money all at once, and so I hope that that will be corrected by appropriate legislation.

I would have thought that IRS would have had the discretion to have interpreted the legislation another way, because none of our people saw this as an unintended consequence of the legislation, but the IRS certainly did.

You mentioned paperwork. We are trying to add IRS to the SBREFA panel process. You know, the only two agencies involved in the SBREFA panel process are the EPA and OSHA, and the testimony the other day indicated to us that the average small business owner spends more of his time complying with regulations from IRS than either OSHA or EPA, and so we ought to be includ-

ing the agency that is the biggest burden on our small businesses in the SBREFA panel process.

What this process does is to require that in the promulgation of new regulations, that they consider the effect on small businesses. They have to do that and they have to have a hearing process. They have to have a comments process. They have to answer to the Congress, and we have a watchdog out there, the Office of Advocacy, and if you are not acquainted with Jerry Glover, who heads that office, he is a genuinely good guy. When he says "us," he is talking about small business. When he says "them," he is talking about the government. He is about the only government guy I know that when he comes and says I am from the government, and I am here to help you, you don't start laughing.

So we are trying to solve these problems.

Is there specific legislation—you mentioned a resolution encouraging our government agencies to become aggressive in achieving the 5 percent goal. We will see where that resolution is and what can be done to get that out, because I can't imagine anybody opposed to that resolution. It is not binding. It is just a sense of the Congress that this is a good idea, and it has been a goal for a long while. Why don't you get with it. The Senate has already done it, I understand.

Ms. NEESE. Senate has already done it. It passed unanimously, and the resolution here authored by Congresswoman Sue Kelly has been languishing in committee now for about a year and a half, which is pretty unbelievable. Like you said, I would think that that piece of legislation would pass pretty quickly. I don't know why anybody would be opposed to it. So if they are going to bury it and not pass it on, then let us get another one authored and get it through committee and get it out to the floor so we can vote on it.

Chairman BARTLETT. After a year and a half, it is probably more than languishing, it is probably dead.

Ms. NEESE. That is what I figured.

Chairman BARTLETT. We will see what can be done to resurrect it.

Ms. NEESE. Good. Thank you very much.

Chairman BARTLETT. What is a certified company, Mr. Mayer? You don't self-certify. What is a certified company?

Mr. MAYER. Certified is what the NMSDC, National Minority Supply Development Council, WBENC and NWBLC, they actually go and do a site certification. They actually go to the business to make sure it is not a storefront. We don't go to all the businesses that would come in. So instead, we only take certified companies because we do not want to deal with storefront companies, pass-through companies, which are just saying they are maybe women-owned or minority-owned and they really aren't a full-fledged company.

Chairman BARTLETT. You have 1,800 women-owned suppliers?

Mr. MAYER. Yes.

Chairman BARTLETT. Out of how many?

Mr. MAYER. Out of about 40,000, but of the 40,000, 25,000 are small businesses. I don't know in that how many are minority small businesses. I just know that we have 1,800 non-small business women-owned businesses.

Chairman BARTLETT. You don't know how many women-owned businesses are in the small business category?

Mr. MAYER. Out of the 10,000, there is quite a few in there.

Chairman BARTLETT. Okay. You mentioned that UPS has a practice of, on occasion, sending consultants, some of your people, to work with the small business to help them solve some of their problems.

Mr. MAYER. Right, right. We mentor with small businesses. For example, there is a package company in Atlanta that we had a purchasing executive actually work with them over 4 years and took them from—he was a second tier company. Because he was very small, he won a $2 million contract as first tier in about 4 years, but grew his business working with him.

Chairman BARTLETT. I just wanted to put on the record an example that is really not small business. I guess it was a small business before they started, but now it is not a small business. Garden State Tanning, which is a company in Williamsport in our district that makes leather for upscale Toyota cars, and they were having great difficulty in meeting their deadlines, and they were having to air freight the product to Japan. Whatever profit they might have made went to the company that was air freighting the product. And so Toyota sent several of their people over to help them reorganize their plant at no cost.

The result of that was now that for at least the last 2 years, they have gotten two awards from Toyota. They have decreased costs and increased quality. Ordinarily, you can do one of those at the expense of the other, but they have both decreased cost and increased quality.

So I was really impressed with how effective a bigger company could be in helping a smaller one when they saw what the problems were. They came over here clear from Japan, spent time in the factory and helped them reorganize. It wasn't any new equipment, by the way, it was just reorganization, just how to better organize, to do the work, and it didn't cost Garden State anything more than to be a very efficient company than it was costing them to be an inefficient company. It was just how to do it better, so I want to commend you on recognizing the value of working with these small businesses.

Do any of you have any final comments you would like to have on the record? Yes.

Ms. HENDERSON. A couple things. Related to the Prompt Pay Act, and this would be enormous to all small businesses, but especially women-owned businesses, the Prompt Pay Act does not cover cost reimbursement contracts. It only covers time and material and fixed price contracts. If the Prompt Pay Act could be extended to cost reimbursement contracts, it would make an enormous, enormous difference.

The other thing in relation to Mr. Davis' comments about Mentoring Proteges, the National Women's Business Council did a survey across the country of business owners and learned that women business owners take advantage of Mentor Protege programs to a much greater extent than men do. So your focus on creating those kinds of programs also would be of great benefit to women.

Chairman BARTLETT. Thank you. Other comments for the record before we adjourn the meeting?

Ms. NEESE. I just want to be sure and urge you to look at the recommendations that come out of this National Small Business Women's Summit in Kansas City this last Monday, and I think there will be some great ideas focused around procurement. We had a very, very heated discussion with the DOD who was present, and on the premises for the meeting and there were a couple hundred women who spoke very passionately about procurement. So I feel there will be some excellent recommendations coming out of that summit.

Chairman BARTLETT. Were the procurement people from DOD men or women?

Ms. NEESE. Men.

Chairman BARTLETT. We need some women procurement people in DOD, don't we?

Ms. NEESE. Both men were taken to task for their lack of outreach, whether true or not.

Chairman BARTLETT. Well, if there are no other comments, thank you all very much for your testimony. The meeting is adjourned.

[Whereupon, at 12:45 p.m., the subcommittee was adjourned.]

ROSCOE BARTLETT, MARYLAND
CHAIRMAN

DANNY K. DAVIS, ILLINOIS
RANKING MINORITY MEMBER

Congress of the United States
House of Representatives
106th Congress
Committee on Small Business
Subcommittee on Government Programs and Oversight
B-363 Rayburn House Office Building
Washington, DC 20515-6316

OPENING STATEMENT **June 8, 2000**
CHAIRMAN ROSCOE G. BARTLETT
SUBCOMMITTEE ON GOVERNMENT PROGRAMS AND OVERSIGHT
HOUSE COMMITTEE ON SMALL BUSINESS

Good morning and welcome to this hearing of the Subcommittee on Government Programs and Oversight of the Committee on Small Business. A special welcome to those who have come some distance to participate and to attend this hearing.

On October 8, 1997 and March 25, 1999, the Subcommittee on Government Programs and Oversight held hearings to showcase Women's Business Enterprises on a national level and to examine issues of concern to women entrepreneurs such as the availability of capital. These were the first hearings in almost a decade devoted to women in business.

Why this commitment to help women start new businesses or grow existing enterprises? Because it is the right thing to do and because women entrepreneurs are a key dynamic in this nation's present prosperity. The follow statistics, which are from the Small Business Administration, speak for themselves:

- **The number of women-owned businesses increased 89% over the last decade to an estimated 8.5 million.**
- **Women-owned businesses generated $3.1 trillion in revenue, an increase of 209% between 1987 and 1997.**

- **More than 1.4 million women-owned businesses with employees generate $2.8 trillion in revenue. The number of women-owned businesses with employees grew 46% from 1987 to 1997.**
- **Revenue of women-owned businesses with employees grew 221% from 1987 to 1997.**

This hearing is a continuing commitment to spotlight the vital nature of women's business enterprises to the economy of this nation as a whole and to the communities in which we live. This hearing provides, as did the previous ones, a forum for learning how the private sector is succeeding or failing to meet the needs of women in business and to focus attention on those deficiencies that may exist.

The hearing, also, provides an opportunity for women business owners to express their views as to the effectiveness of federal government programs designed to help small business owners and those who aspire to go into business for themselves. Congress needs to know whether these programs are succeeding or failing. Lastly, this hearing provides an vantage point for identifying problems that women business owners encounter as the result of over-regulation and burdensome government paperwork. Is the federal government a friend or foe?

In recent years, Congress has increasingly supported legislation aimed at helping women start and grow businesses. The Committee on Small Business has supported the National Women's Business Council, Women's Business Centers, and the Microloan Program.

Proposed changes in the 7(a) Loan Program will help make loans more readily available to women entrepreneurs. It is hoped in the near future that the SBA will be totally out of the business of approving loan applications. This is the case presently with respect to more than half the dollar amount of loans presently being made. The hometown banker will be the decision-maker - not some bureaucrat in a remote location who does not know the lender.

Again, good morning and welcome to this hearing of the Subcommittee on Government Programs and Oversight of the Committee on Small Business.

Testimony of Laura Henderson
President, Prospect Associates and
Member, National Women's Business Council
Before the House Small Business Subcommittee on
Government Programs and Oversight
June 8, 2000

Good morning Mr. Chairman, Mr. Davis, and members of the Subcommittee. Thank you for allowing me to testify here today. My name is Laura Henderson, and I am the President of Prospect Associates, a health information communications company headquartered in Silver Spring, Maryland, which has revenues of over $17 million, 85 percent of which comes from Federal contracting. I am testifying here today in my role as an appointee to the National Women's Business Council, a bipartisan, Federal panel which provides advice and counsel to Congress and the President on matters of importance to women business owners. In fact, the Council does so much more.

I would like to spend my time this morning talking to you about what we know about the state of women's entrepreneurship today, the important work of the Council, and our current initiatives. The Council is being considered for reauthorization this year and I trust you will agree that its work is vital and that we have done much to create a solid infrastructure that has benefited one of the fastest growing segments of our economy, women-owned businesses.

Twelve years ago, I testified before the House Committee on Small Business and told my story. Those hearings provided many of us with an opportunity to discuss the problems and obstacles we faced in effectively starting our businesses and in gaining access to financing, technical expertise and markets. As a result of the testimony, legislation was introduced and passed in both houses to create the National Women's Business Council; to establish the Women's Business Development Center Program to provide technical assistance and counseling; and to direct the U.S. Census Bureau to expand the collection of business data to include the largest women-owned businesses, C corporations. As we celebrate our first decade of advocacy for women business owners, this committee can take pride in the accomplishments of the Council and other programs that resulted from this landmark legislation.

In the 1980s, the data that was available to document the economic force of women-owned businesses was extremely limited. Thanks to initiatives both at the U.S. Census Bureau and in the private sector, the non-profit National Foundation for Women Business Owners, we now can quantify the numbers and growth of women-owned businesses. We have data demonstrating their accomplishments and identifying the challenges they continue to face.

Since those pivotal hearings in 1988, the number of women-owned businesses has more than doubled. Estimates from the National Foundation for Women Business Owners (NFWBO) show that in 1999 there were 9.1 million women-owned businesses in this country, employing 27.5 million workers (one out of every four employees work for a

business owned by a woman) and generating over $3.6 trillion in sales. Women are starting businesses at 1.5 times the rate of men and today, account for 38% of all businesses. Even more impressive is that the expansion in employment (up 320% between 1987 and 1999) and revenues (up 436%) far exceeds the growth in numbers. This means that, not only are there more women-owned businesses, but that these businesses are larger, more substantial, providing increasingly more job creation and making a greater contributions to the economy. Further, one in eight of these businesses is owned by a woman of color. In fact, women of color are the fastest growing segment of women-owned businesses.

As a result of Congress' continued support for the U.S. Census Bureau's Survey of Women Owned Businesses which serves as the basis for the National Foundation for Women Business Owners' research, we have solid data documenting the growing economic impact of women in our nation. In a month or so, the Census will release the newest of its business surveys, providing the basis for updates and expanded information.

Just as we have tracked the progress of women in the workplace and the changes that influx has generated, so will the new Census data yield a greater understanding of the growth of women as business owners and the influence of this important sector in shaping the both the traditional and the new economy.

In addition to my appointment to the Council, I also helped found and serve as Chair Emeritus and member of the Board of the National Foundation for Women Business Owners. The National Foundation for Women Business Owners is the premier source of information on women business owners and their enterprises worldwide. NFWBO provides groundbreaking research to document the economic and social contributions of women-owned firms including access to capital, access to markets, impact of training and education, and leadership and management characteristics. Last year, the Foundation released its highly regarded *Facts on Women-Owned Businesses*, a detailed analysis of the number, employment, revenues and growth of women-owned businesses in each state and the major metropolitan areas. In July, NFWBO will release a major national study of both women entrepreneurs and venture capital providers on the status of the next frontier for women entrepreneurs, women business owners in the equity capital markets.

ACCESS TO MARKETS

The Council has been at the forefront of advocating for women-owned businesses to have greater access to competitive contracting opportunities. In 1998, the Council released a report that included statistics and analysis of 11 years of Federal contracting with women. The data clearly indicated that the increase in contracting with women was not keeping pace with the growth and maturity of the women's business segment. The most recent Federal acquisition statistics show that women business owners are receiving a little over 2 percent of all Federal contracts, about the same percentage we've received for the past five years. If the 5 percent goal were to be achieved, women would be receiving contracts worth $10 billion, a six billion-dollar increase over what we are receiving now.

The Council's *1999 Best Practices Guide: Contracting with Women* identified major initiatives that have been successful in increasing contracting opportunities. There were a number of key elements common to all these programs; the most important of which is a **commitment from the top**. Only where there is a firm commitment from senior officials to do business with women owned business, have we seen a significant increase in the numbers of contract awards going to women. The Council is ever mindful that it will take that commitment from the heads of each Federal department and agency if we are to reach that goal and ensure the full participation of women-owned enterprises in the vital federal marketplace.

One step in the right direction is President Clinton's Executive Order No. 13157, signed on May 23, 2000. Not only does the Executive Order strengthen the Administration's commitment to the 5 percent goal, but it also sets forth a number of new initiatives to be taken by all Federal departments and agencies, including (1) designating a senior official to coordinate the Government's procurement programs for women and (2) providing agencies who are unable to meet their award goals with a 'tool kit' of programs and initiatives that have been successful in increasing women's participation.

There are other vital initiatives in support of women's business ownership that the Council is sponsoring or endorsing:

- **NWBC Procurement Data Base Project.** The National Women's Business Council has commissioned a three-part study of the characteristics of women-owned firms who have been successful in winning more than $5 million in Federal government contract awards to identify the characteristics and opportunities which have enabled these women owned firms to be successful in this market. This will serve as a basis for developing policy and programmatic recommendations to assist other women entrepreneurs in gaining access to this market. The National Foundation for Women Businesses Owners currently is conducting on the Council's behalf a survey of all 5000+ women-owned businesses in this database. The Council will release the results of the entire three-part study as part of our year 2000 annual report to Congress.

- **The Council supports and urges the expansion of the DoD mentor-protégé program to include women-owned businesses.** This program, established in 1995, is currently open only to socially and economically disadvantaged businesses and designed to assist those companies in acquiring the necessary skills and strategies to be successful in entering the Federal procurement marketplace. A study conducted by the National Foundation for Women Business Owners for the Council showed that women are more likely than men to take advantage of mentor-protégé programs and that their participation in these programs did indeed increase the likelihood of success in the market. Including women-owned businesses in the pool of potential protégé's will increase access to the defense procurement market and thus, will assist in increasing the participation of women in prime and subcontracting opportunities. The Senate Armed Services Committee has included this expansion in its version of the

Defense Authorization Bill and we hope to see it included in the final version of the Bill.

- **www.WomenBiz.gov.** This website, to be rolled out later this summer, will provide a single point of entry to internet information on doing business with the Federal government that will facilitate and simplify access to information and contracting opportunities for women. This site will contain information and links to over 100 small business databases, web sites and acquisition forecasts throughout the Federal system.

We have made much progress in laying the groundwork, but we have a long way yet to go in order to ensure that our Federal agencies gain full benefit from the capabilities and talents of businesses owned by women and to ensure that women-owned businesses have the opportunity to achieve their full potential in making contributions to the health of our nation's economy.

IMPACT OF TRAINING

We would especially like to thank the Committee for its efforts to sustain the Women's Business Development Center program through the passage of legislation last year. [Public Law 106-165] The over 100 women's business centers that provide much-in-demand business development, technical assistance, and counseling services are now able to concentrate their efforts on helping women launch and grow successful businesses instead of struggling for the Center's survival.

This year, in collaboration with American Express and the AT&T Foundation, the Council is sponsoring first-ever longitudinal research to evaluate the impact of technical and financial assistance on the success of women-owned firms. There is substantial evidence that the greatest asset for small business development is information, access to technical expertise and skill training, and financial assistance. This study, conducted by the National Foundation for Women Business Owners, will give us the data to strengthen the programs and ensure they are making the greatest contribution to the success of women's business ownership. This is a three-year study. There will be interim reports in 2001, 2002 and the final report in 2003.

ACCESS TO CAPITAL

The National Foundation for Women Business Owners has been tracking access to banking relationships and finance for almost a decade. During the 1990s, the National Foundation for Women Business Owners issued two landmark studies that were pivotal in changing the attitudes of bankers regarding their lending practices.

The first revealed that women were financing their businesses using high interest credit cards and the second established that women-owned businesses were as creditworthy as their male counterparts. Further studies have indicated a decisive closing of the credit

gap as many new public and private sector lending initiatives targeting the women's business segment have been introduced.

Although great progress has been made in closing the gap between women and men entrepreneurs, women business owners still are less likely than their men counterparts to seek credit and, when they do have credit, have lower levels. This must remain an area of focus to sustain the momentum we have established.

This year, the Council, the National Foundation for Women Business Owners and several other academic institutions and foundations have begun research into the next frontier for women business owners, their access to the equity markets. Women-led technology companies are the newest on the scene and their access to investment capital will make the difference between their success and failure. The Council has taken the lead in establishing initiatives to ensure access to the equity markets for women entrepreneurs. These include:

- **Best Practices Guide: Women's Access to Credit.** This summer, the NWBC and the Milken Institute will be issuing a collaborative report on financing strategies which have been successful in increasing access to credit for women launching and growing their businesses. The goal is to identify programs that deserve replication in order to truly and dramatically expand access to capital and credit for women business owners. The policy brief will be issued this summer.

- **Springboard2000.** The new frontier for women seeking capital to launch and run businesses is the equity markets are the equity markets. Mindful that the race for equity capital moves at internet time, the Council has produced the first in a series of venture capital forums showcasing women-led businesses before private, corporate, and venture capital investors. A key component of the Springboard project is the coaching and advising which the selected firms receive to prepare them to present their businesses most effectively. Our first forum, *Springboard2000: Silicon Valle*y presented 26 companies that have raised about $140 million as a result of their involvement in the forum.

  The Council is partnering with leaders in the investment and related service communities to produce forums in the Mid-Atlantic, New England, Illinois Central, and Texas Southwest regions before the end of 2001. You are all invited to join us at our next forum to be held at America Online headquarters in Dulles, Virginia on July 11th and 12th.

LEADERSHIP

The Council has taken a leadership role in facilitating and encouraging women business owners to be leaders and become involved in the policy decisions that govern our lives, our businesses, and ultimately, our economy. In 1996 and again in 1998, the Council hosted national economic summits that brought together hundreds of women business leaders with top officials in the corporate, government and academic communities to

examine the critical issues facing women business owners and to develop a consensus agenda.

- **Summit'98.** Following the Council's second Women's Economic Summit, we presented to the President and Congress *Summit '98 Master Plan*, a blueprint action plan serving to foster the growth and development of women-led businesses and the economy as a whole. One of the points of consensus was on the need to develop women business owners as leaders and advisors on national, state and local levels. As Tip O'Neill once said, "All politics is local." I think that saying is equally as applicable to business. The Council has made it a priority to work with women leaders in each of the 50 states to support their full involvement in local policy decision making. They have much expertise to offer our appointed and elected officials and we are assisting them in assuming their seats at the table.

SUMMARY: Mr. Chairman, I know the other founders of the Council would agree with me that when we were created in the late 80's, we wanted more than just to level the playing field for America's women entrepreneurs. We knew that women business owners could and would become a force for increasing the health and vitality of our nation's economy and our society. The Council has played a vital role in leading policy discussions, developing and implementing major programs, and serving as a catalyst for bringing women business owners and leaders from both the public and private sectors together for informative and productive exchanges.

The Council has been extraordinarily effective in fulfilling its role as an advisor to Congress and the President on the state of women's business ownership and, even more importantly, on what actions are imperative to ensure that our nation will benefit from the full potential of this fast-growing, dynamic and very vibrant part of our economy. The Council's actions have been fundamental to the expansion and recognition of women-owned businesses as an integral force in the economy.

The Council has been the catalyst for making our dreams a reality. Today, our challenge is twofold. First, we must maintain the programs and initiatives already in place and continue the momentum which, with your support, has been established. Second, we must move to the next level, providing the knowledge, policies and programs to ensure that women entrepreneurs are free to lead growing, financially successful businesses while maintaining their gender and ethnic uniqueness.

As a woman business owner for over 21 years, I believe that the National Women's Business Council is fundamental to achieving that goal. As a member of the Council, I know that none of these accomplishments would be possible without the support of this Committee. I thank you in advance for your support for the Council's reauthorization, and, therefore, your support for the growth and success of the women who are starting, leading, and growing over one-third of our nation's businesses. Thank you.

COMMITTEE ON SMALL BUSINESS
JUNE 8, 2000

CONGRESSIONAL TESTIMONY

By

SUZANE W. PARKER
PRESIDENT & CEO

WARD GLOBAL ENTERPRISES

65 WILNER ROAD

SOMERS, NEW YORK 10589

June 8, 2000

Testimony before the Committee on Small Business, Subcommittee on Government Programs and Oversight, Honorable Roscoe Bartlett, Chairman.

Chairman Bartlett, Ranking Minority Member Davis, committee members, thank you for allowing me, Suzane Ward Parker, President and CEO of Ward Global Enterprises and a member of the Board of Directors of the National Black Chamber of Commerce, the opportunity to present to the committee on the issues of women business enterprises and the availability of capital.

Let me first explain that Ward Global Enterprises is a global company with 2 retail stores selling beauty supply products here in the United States in Washington DC and Peoria, Illinois with the ultimate growth strategy of eventually franchising the operation nationwide thereby offering opportunity to other African American entrepreneurs through the creation of jobs, purchasing of goods and services and providing community participation through scholarships and mentoring. Since our entree into the beauty supply business we have been able to provide scholarships for minority students in Illinois and have recently started a scholarship fund for the Howard University Business School. Additionally, our global reach extends to West Africa to the country of Ghana where we have established an import business as distributors of hair care products for Soft Sheen International, a division of Loreal. Finally, the company will be launching a website within the next few weeks, CEOSISTER.COM that is designed to offer women of color entrepreneurs information, networking and learning opportunities that will help enhance and promote their businesses.

I welcome the opportunity to come before this distinguished panel to discuss my experience as an African American woman and entrepreneur and to share with you the perspective of many other women of color who have had similar experiences.

As you know, women have joined the entrepreneurial ranks at an astonishing rate (an increase of over 300% this past decade) and are projected by 2005 to increase ownership by 77% and generate close to $4 trillion in revenue. This is in spite of the fact that we have not had the same access and availability to capital and contracts as majority males. Businesses that should be up and running and mature are still at the starting gate because of this critical issue. I continually hear from minority women with fantastic ideas for businesses that at the same time relate tales of woe regarding inability to secure capital. These businesses range from technology, trucking, manufacturing, consulting services, wholesale trade, mining, finance, engineering and the list continues. These are very talented individuals, many who have previously held executive positions in our country's finest corporations and business schools; well trained, experienced and technologically competent but lacking one thing: capital.

Let me first address the most important issue of capital. Obviously access to capital is a key ingredient to the success of every business however it is the rare case when a woman

and especially a minority woman has been able to secure financing prior to opening a business. In my own experience, I started my first venture which was a consulting business without financing and subsequently opened my first retail operation with my own funds prior to securing funding from a SBA backed commercial loan. Additionally I have yet to meet one businesswomen, minority or majority who has been able to secure initial financing for a business venture therefore tremendous talent is wasted and delay experienced as a result of having to find non traditional sources of funding which can be expensive and risky. (ie credit cards, family) The greater loss here however is the contribution and impact that we know minority women entrepreneurs can make to a community and to the labor market through the creation of jobs and improvement to economically challenged areas. In 1999 women business ownership increased 103%. The economic impact of those businesses resulted in an increase in employment of 320% (27.5 million employees) and a growth in sales of 436%. These are impressive figures considering the rate of traditional funding for those businesses is not consistent with the rate of growth. Clearly the disparity of funding and the impact of those decisions will have an immediate effect and long-term impact to our economy, especially in those areas in need of goods and services.

Many women are discouraged from even considering the process due to a number of factors.

Fear of rejection: The reception one gets when approaching a bank is less than welcoming. The typical response from a bank officer is to hand you a stack of brochures and send you on your way. There is no attempt to set up a consultation with a bank official to help guide you through the process or answer questions. Unless you are persistent and a bit pushy, you will not be able to get in front of a decision maker until someone of lower rank first reviews your file. Only then is it passed on assuming that the underwriters feel there is merit based on their credit formulas.

Level of paperwork: Many women after approaching a bank and then being told the loan must be SBA secured are turned off by the ensuing lengthy process and burdensome paperwork. The number of forms and the records requested is excessive. The shortened process produces inches of paper much of which is redundant. The question we all ask is …Is all this necessary?

Let me also add that there are banks that use the SBA loan guarantee as a way to discourage women from applying. Too often the banks, without a full picture, will very quickly require the SBA guarantee before completely reviewing the applicant's file. The level of consideration and receptivity toward reviewing and writing the loan of a minority woman generally must be tied to the SBA. The banking industry appears to want no risk whatsoever as it relates to minority women. The end effect of those decisions is that it does lengthen the process and provides greater documentation burden on the business owner.

Divorced women have the additional burden of having to not only account for themselves but must also explain financial decisions that a former spouse may have made both positive and negative that now effect their financial standing.

As a global entrepreneur, finding finance options to start up or enhance a foreign operation is next to impossible. With the exception of letters of credit my experience of researching alternatives for manufacturing operations overseas have led to continued frustration and dead ends. The appetite of U.S. banks to consider financing of a non-U.S. venture is not there. One particularly frustrating experience occurred after attending a conference on business in Africa and listening to a bank representative express the bank's position and desire to accommodate those type of investments. Upon contacting the same individual about a week later (he encouraged me to call) I was then told the bank would not even consider loans to that part of the world. He would not even as a courtesy look at my business plan. When I inquired why he held negative opinions the gentleman gave me numerous erroneous excuses about West Africa, that indicated his level of knowledge of the region was outdated and out of touch. Unfortunately, I have found that attitude to be more the rule rather than the exception however these individuals are the decision makers that make it difficult to impossible to obtain financing.

The ability to sustain the business even after receiving initial funding is also an issue. The expectations of the financial world are somewhat skewed as it relates to securing additional funding for our businesses. When you provide your business plan it is generally clear and expected that the ROI will not be realized for 18 months to 2 years however when you approach a bank for additional funds the typical response will be to ask why the business is not yet profitable when you have not even reached those milestones yet. There appears to be an unfair level of expectation. I think we all know that same level of scrutiny is not evenly executed across the business world. If this were the general practice I believe many of our leading corporations would have folded in their early stages.

The other area that needs critical examination is in the area of procurement and contracts. Measured in both the number and dollar value of federal contracts the participation of women business owners fall woefully short. Again, although women comprise almost 40% of small businesses of which 12.5% are minority women, we only receive 1.7% of federal prime contract dollars and 3.5% of subcontract dollars. (1996 data) Additionally, in 1999 the SBIC only awarded 1% of the venture capital program to women.

As we sit here before Congress, I am encouraged that this panel is asking the right questions regarding problems and issues however I am continually amazed that the issue of contract disparity continues to exist especially given the approved governmental structure and funding designed to eradicate discrimination in the assignment of contracts with the government. The problem is even more acute with women of color. Ladies and gentlemen, there are qualified women and minorities available with the goods and

services so I ask… Why can't we receive our fair share? As the United States is experiencing one of the greatest periods of business expansion does it make sense that a significant percentage of the business world is being left out or granted less than their fair share of the total opportunity.

In conclusion, what is needed for minority women entrepreneurs to be successful is equal access and fairness to financial institutions and government programs that have unfortunately had a history of discrimination. The American dream should not be so far out of reach as to be inaccessible especially given the framework that is already there. To address these inequities and begin to see real progress Congress needs to critically examine why the disparity in lending exists and put the appropriate measures in place to remedy the situation. This is the challenge that this body must face and ultimately solve.

Many of us in the business community would also welcome alternatives to traditional sources that take into consideration that many of us do not have the luxury or access to friends and family with financial resources to help us get started. Far too many of us without "trust funds" are forced to use our credit cards and mortgage everything to the hilt. It is a statistical fact that 60% of women owned businesses utilize credit cards and finance companies to get started which indicates that perhaps we are facing barriers in accessing traditional credit and clearly paying more for that credit. Recently women have been turning to the venture capital industry especially for technology ventures however the story here is somewhat similar although more encouraging. Although African Americans have not been participating at the same rate, this area appears to have promise due to the aggressive nature of venture capitalists and the entrée of a number of minority owned venture capital firms. Clearly if the well established banks are unwilling to lend to us then we need these firms as well as minority owned banks that will see our diversity and experience as a asset and give fair consideration for the unique challenges we face. The government could take the lead in this area by designating part of SBIC funds for exclusive use of women owned businesses.

Serious consideration needs to be also be given toward reducing the paperwork required as well as expediting the process. The established guidelines indicate a turnaround time that is more of a wish versus today's reality. There should also be an option to electronically submit an SBA application and have the capability to query the status online as well. Too much time and resource is spent chasing the bank contact who will typically blame the delay or lack of information on the SBA.

Finally, a proactive approach to accessing government contract information and bidding needs to be addressed. It is truly shameful as we discuss disparate treatment that the government procurement and contracts process has such a deficient report card. The level of contracts awarded to minority women and women in general must improve.
As all women and especially minority women continue to pursue their own businesses and help strengthen our economy, create jobs and opportunity; it is incumbent upon our

national leaders to help erase any and all barriers to not only their success but the country's success.

Again, thank you for the opportunity to address this distinguished panel.

Testimony
for the
Subcommittee on Government Programs and Oversight of the Committee on Small Business
United States House of Representatives

June 8, 2000

Prepared By:

Linda M. Keenan
Director of Association Marketing
Lucent Technologies
211 Mt. Airy Road
Room 2W422
Basking Ridge, NJ 07920
908-953-7890 tel
908-953-4904 fax
lkeenan@lucent.com

Lucent Technologies, headquartered in Murray Hill, N.J., USA, designs and delivers the systems, software, silicon and services for next –generation communications networks for service providers and enterprises. Backed by the research and development of Bell Labs, Lucent focuses on high-growth areas such as optical and wireless networks; Internet infrastructure; communications software; communications semiconductors and optoelectronics; Web-based enterprise solutions that link private and public networks; and professional network design and consulting services.

By the end of September, Lucent Technologies intends to spin off its enterprise communications systems, business cabling and LAN-based data networking businesses, including Customer Relationship Management (CRM), Integrated Messaging and Data/Voice Convergence, into a separate company focused on delivering next-generation communications networks for enterprises. The new company will be the worldwide leader in messaging and call centers, the U.S. leader in voice communications systems, and will have the largest sales and services force in the industry.

Lucent Technologies has proudly supported Minority Women Business Enterprises (MWBE) programs for over 32 years; first as AT&T, and then continuing after separating from AT&T and forming Lucent Technologies on October 1, 1996. In addition to the procurement focus of our MWBE programs, Lucent has formed strategic marketing partnerships with associations that support women business owners. These associations include the National Association of Women Business Owners (NAWBO), the National Foundation for Women Business Owners (NFWBO) and the National Women's Business Owners Corporation (NWBOC). Recognizing the opportunities and power of this high-growth segment, Lucent has created

programs to assist women business owners to be more successful, more informed, and more effective in growing their businesses.

Lucent recognizes that MWBE utilization is not an extension of a social or legislative obligation, but rather a strategic asset that offers real benefit to our bottom line of profitability. 1999 was a record year for our supplier diversity program. Lucent Technologies spent a total of $1.095 billion with minority and women-owned businesses representing 9.5 percent of our total procurement. This spending exceeded last year's total of $976 million and our goal of 8.7 percent of total procurement. We have increased spending with MWBE businesses by over 25% since 1997. The total supplier payments of white female owned businesses in 1999 were $461 million and the remaining minority business enterprises $ 634 million. The breakdown is as follows:

October 1998 – September 1999 ($ in millions)

African American	$129.7
Hispanic	98.8
Asian/Indian	121.6
Mixed Minority	21.6
Native Americans	42.1
Asian Pacific	220.3
Total MBE	**634.1**
White Female	461.0

Our mission is to expand Lucent Technologies' global business by focusing on MWBEs as a value-added strategy that exceeds customer expectations and creates a competitive advantage. Our vision is to view MWBEs as a natural and integral part of Lucent Technologies' business environment that creates differential advantages and contributes significantly to customer satisfaction and business success.

Lucent Technologies has a policy of ensuring that qualified MWBE contractors have the maximum opportunity to provide us with goods and services. By our estimate, minority and women-owned businesses have helped us serve our customers and save $47.9 million.

Lucent has been a Premier Corporate Partner of the National Association of Women Business Owners (NAWBO) since 1997. The relationship with NAWBO has been extremely beneficial for Lucent to gain visibility, increase brand awareness and loyalty, and become better positioned with women business owners. Through dynamic marketing programs, Lucent has provided tools to NAWBO to help grow its membership and educate its members. We have been successful in taking what started as a sponsorship and growing it into a powerful partnership.

NAWBO has very aggressive goals to grow its membership. As part of our negotiated sponsorship agreement, Lucent developed and produced a recruitment video for NAWBO to use nationally and at the local chapter meetings. "NAWBO....it's happening" has been shown throughout the United States and has been extremely successful in assisting local chapters to increase their memberships. The video demonstrates the power of NAWBO through real-life success stories, interviews, and examples of the diversity of the NAWBO membership. "NAWBO....it's happening" has won two prestigious industry awards for its quality, message, impact, and artistic value. The video won the Aurora – Platinum Best of Show Award, as well as the Communicator Award.

Public Policy is an important focus for NAWBO. Last year, Lucent produced a multimedia program, *20/20 Vision*, to help NAWBO members learn about the economic impact of women business owners and the importance of their participation in public policy issues. The *20/20 Vision* training program was developed to inform, educate, and update NAWBO members on key public policy issues and to engage members in all chapters to participate in transforming public policy. The program consisted of a series of 7 videos highlighting key issues, a public policy handbook, and a

customized congressional directory. In addition, Lucent sponsors a "Government Watch" section on the NAWBO web site which provides the current happenings on Capitol Hill, as well as contact information for local representatives.

In celebration of NAWBO's 25th Anniversary, Lucent is producing a commemorative video and yearbook. These historical documentaries will be premiered at the NAWBO Annual meeting on June 16, 2000. The video and yearbook provide a highly motivational view of the history of NAWBO and the power of NAWBO for the next 25 years. Once again, the video and yearbook are great recruitment tools to support NAWBO's growth objectives.

Lucent Technologies has developed an interactive web-based marketing tool to build and strengthen relationships between the NAWBO local chapters and the Lucent Business Partners. LINC (Lucent Interactive NAWBO Connection) provides real-time information for the NAWBO members to work with their local Lucent representatives. LINC has been used for recruiting new members and new local sponsors.

Lucent Technologies has been very supportive of providing opportunities for women business owners just starting out. Lucent, in conjunction with *Working Woman* magazine, sponsored a "Partners for the Future" grant to honor women entrepreneur start-ups. Two grants were awarded to women entrepreneurs who demonstrated creativity, business knowledge, and the ability to meet unique market needs. Each business received a $5,000 grant, a Lucent PARTNER® Communications System, and membership in the National Association of Women Business Owners.

Women Business Owners have been extremely receptive to the support that Lucent has provided. Lucent Technologies received the National Corporate Partner of the Year Award from NAWBO and several local NAWBO chapters. A letter from the national association noted: "Each year we look at our corporate supporters and choose on whose partnership stands out – a partner that has provided not only financial support, but also advice, counsel, and superlative service to women business owners. Lucent more than meets these standards, and we are proud to present you with this award."

For more information about Lucent Technologies, please visit:
http://www.lucent
For more information about the Lucent Supplier Diversity Program, please visit: http://www.lucent.com/gsp/mwdvbe

TESTIMONY OF

S. TERRY NEESE, CEO & FOUNDER

TERRY NEESE PERSONNEL SERVICES &

CO-FOUNDER, GRASSROOTS IMPACT, INC.

OKLAHOMA CITY, OKLAHOMA

BEFORE THE U.S. HOUSE SUBCOMMITTEE

ON GOVERNMENT PROGRAMS &

OVERSIGHT OF THE COMMITTEE ON

SMALL BUSINESS ON

WOMEN'S BUSINESS ENTERPRISES

THURSDAY, JUNE 8, 2000

Women's Business Enterprises...Page 1

June 8, 2000

Good morning, Mr. Chairman and members of the Committee. Thank you for the opportunity to appear before you today to discuss women-owned enterprises.

My name is Terry Neese. I am the CEO and Founder of Terry Neese Personnel Services in Oklahoma City, Oklahoma and Co-Founder of GrassRoots Impact also in Oklahoma and Washington, D.C. I am past president of the National Association of Women Business Owners and their Public Policy Advisor. GrassRoots Impact represents several small business associations on Capitol Hill including the National Business Association. I offer this testimony today on behalf of my companies, GrassRoots Impact and Terry Neese Personnel Services.

NATIONAL WOMEN'S BUSINESS SUMMIT:

Just returning from The National Women's Small Business Summit chaired by Senator Bond held in Kansas City, Missouri, I highly recommend that the Committee obtain the issue recommendations from the Summit and focus on moving those recommendations through the legislative process. To that end, I also recommend that the Committee establish a taskforce of small business owners to review the recommendations, establish some priorities, and work with the Committee to ensure success.

PROCUREMENT:

For the past three years, I and numerous NAWBO colleagues have presented testimony on behalf of the National Association of Women Business Owners (NAWBO) before this Committee and many others regarding procurement. That testimony called on the

Congress to hold the Administration accountable for the 5% procurement goal enacted by the 1994 Federal Acquisition Streamlining Act. In fiscal year 1999, the departments and agencies of the Federal Government awarded prime contracts totaling 2.4 percent of the total dollar value of all prime contracts to women-owned businesses.

On Tuesday, May 23 the President issued an Executive Order to strengthen the executive branch's commitment to increased opportunities for women-owned small businesses. In addition, that same day; Senate Resolution 311 passed the Senate unanimously. The Resolution authored by Senator Bond (R-Mo) and Co-sponsored by Senators Kerry (D-Mass), Landrieu (D-La), Bingaman (D-New Mex), Lieberman (D-Ct.) and Harkin (D-Iowa) urged the President to adopt a policy in support of the 5 percent procurement goal for women-owned small businesses, and to encourage the heads of the Federal departments and agencies to undertake a concerted effort to meet the 5 percent goal

before the end of fiscal year 2000.

Women's Business Enterprises....Page 2

June 8, 2000

I encourage and challenge the House of Representatives to issue a similar Resolution showing your support of this issue. While I am encouraged by this show of support for more business opportunities for women business owners, the House of Representatives must make sure the U. S. Small Business Administration acts immediately to implement the President's Executive Order.

"DEATH TAX"

One of the most pressing issues facing women business owners today is the "death tax". Many have suggested that the estate, gift and generation-skipping tax, the "death tax" does not affect enough Americans, but many families sell out early and pay a 20% capital gains tax on the appreciation instead of a 55% tax rate on the fair market value of all their assets. This means that businesses are sold and jobs are lost in the community because many sell out to larger companies that consolidate and are not subject to the estate tax. As an example, in the city of Williamsport, Pennsylvania—seven family businesses have been sold to large companies resulting in the elimination of thousands of jobs in that town. As a result of the estate tax, the livelihood of the family members who worked in those businesses was eliminated. Bottom Line: the "death tax" elimination is all about saving jobs for families and their communities.

The estate, gift and generation-skipping tax must be eliminated. I urge this Congress to pass legislation aimed at early phase-out or total elimination now.

Installment Sales—Cash VS Accrual Basis

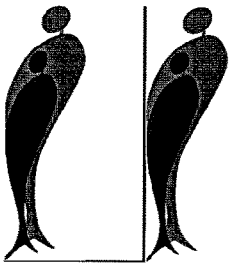
The cash vs. accrual issue is a day-to-day pervasive issue for small businesses; the installment-sales issue only applies when the business is sold.

I believe the only way to explain both of these issues and really bring the message home on a personal basis is to focus on cash in and cash out for any individual. For example, how would a federal employee cope with this issue if they were told that since their income for the year would be $60,000; they would have to pay their taxes up front on the $60,000 before they receive their income? Pretty ludicrous? That is what has happened with both of these issues.

It is inexcusable for Treasury to issue regulations similar to the above example and circumvent the Regulatory Flexibility Act, SBREFA, and frankly the legislative process. The Treasury employees are not elected by the people of the United States. Why are they acting and issuing regulations like they are in Congress? Installment sales repeal for accrual basis taxpayers must be reversed. Forcing small businesses to pay lump-sum capital gains taxes on the sale of their businesses are wrong. I strongly support the Herger-Sweeney Bill (H.R. 3594) to repeal last year's modification. I also support the cash versus accrual legislation (H.R. 2273 and S. 2246) to protect small business. Mandatory implementation of the accrual basis accounting would be devastating, tax wise, the first year and would necessitate the hiring of a full time accountant.

Thank you for allowing me the opportunity to voice problems and concerns facing women-owned businesses. Your support is greatly appreciated in resolving these problems.

Terry Neese
Corporate & Public Policy Advisor--NAWBO
GrassRoots Impact, Co-Founder
2709 N.W. I-44 Service Road
Oklahoma Ctiy, Oklahoma 73112
405/943-4474--fax 405/942-2840
Error! Bookmark not defined.



Women's Business Institute

Changing the face of Maryland's economy

Statement

of

Diane M. Wirth
Technology Representative
Women's Business Institute

to

Subcommittee on Government Programs and Oversight
Committee on Small Business
U.S. House of Representatives

June 8, 2000

222 E. Baltimore St., Taneytown, Maryland 21787 *(410) 756-2334 * FAX: (410) 756-2936

Testimony of Diane M. Wirth
Subcommittee on Government Programs and Oversight
of the Committee on Small Business
United States House of Representatives

Mr. Chairman and Members of the Subcommittee on Government Programs and Oversight, thank you for allowing me to appear before you today to testify on women's business ownership issues.

I am Diane Wirth, Board Secretary for the Women's Business Institute and President of The Solution Works, a technology training and support company. My goal during this hearing, focused on women's business enterprises, is to provide you insight on what women business owners need, and offer possible solutions in three areas:

1) access to resources
2) education and training, and
3) how these tie into access to capital.

The Women's Business Institute (WBI) is a non-profit organization dedicated to empowering women to start or grow their business through education and training, networking and counseling. Although WBI has been in existence for five years, it was not until July 1, 1999 that we were awarded a grant from the Small Business Administration's (SBA), Office of Women's Business Ownership, to serve as a Women's Business Center in rural Maryland. Additional funding received from the Appalachian Regional Commission (ARC) has allowed us to greatly support small businesses in these areas. The success of winning the SBA grant was due in part to the efforts and support of Congressman Roscoe Bartlett.

As WBI's Technology Representative I provide one-on-one business counseling, and telephone and e-mail counseling to women entrepreneurs. The information presented in this testimony is from this experience.

Access to Resources
We receive many calls from women all over Maryland, from La Plata to Cumberland, who need assistance in starting a business. Requests include: brainstorming ideas and converting them to a business concept, where to obtain a business license, permits required, where and how to file a business name, and reviewing business plans and cash flow statements.

Many of the entrepreneurs we speak to, do not know how to use the Internet, or if they do, they are not familiar, nor comfortable in searching for information. Resources are very much available today, as compared to 13 years ago when I started my technology business. At that time there was one book in the library on business planning.

I demonstrate to these entrepreneurs how to access sites such as **Error! Bookmark not defined.** for the Business License Information System in Maryland; to the **Error! Bookmark not defined.** for patents and trademarks, **Error! Bookmark not defined.** , etc. I also teach them about where to obtain statistical or demographic information such as the **Error! Bookmark not defined.**.

On-line business resources can provide entrepreneurs with market research information, statistics and demographics, vendors, provide access to directories, and they can learn who their competition is. Many owners have not been to auction sites, or know of them, to search for equipment and supplies for their business.

There is a lack of mentors and support for new or expanding businesses and there is a surplus of proteges. Although many organizations try to offer mentor programs by matching a mentor with a protégé, training on expectations, and a continual commitment are lacking. Often times the length of time for a request of a mentor and receiving a match is also too long.

Potential solutions we offer
The resources are out there, but they are not reaching the consumer, in this case, the entrepreneur. Like any business, the government needs to make a more concerted effort to:

- ✓ Market the sites
- ✓ Make information visibly available at public places like the libraries, and the state and county economic development offices
- ✓ Include information in government mailers, such as the US Department of Labor or IRS mailings
- ✓ Distribute information to civic and entrepreneurial organizations at the state and chapter levels. These could include: Chambers of Commerce, Home Based Business Associations, or National Association of Women Business Owners (NAWBO)
- ✓ Use simpler terms, rather than technical terms to minimize intimidation. For example, ECRC for Electronic Commerce Resource Center may be okay for technology businesses, but small businesses shy away from it.
- ✓ Create a readily available pool of mentors with their specialties and skills and/or offer mentors some incentive for full participation.

Education and Training
Access to affordable, basic training would greatly assist women entrepreneurs. Many women-owned businesses fail because of lack of training and education. Women need to have experiences to develop creativity, confidence, sales and marketing. Topics such as:

- ✓ Human resource development
- ✓ Acquiring practical skills and learning to solve problems

- ✓ Measuring quality and productivity
- ✓ Learning to ask questions
- ✓ Maximizing networking opportunities
- ✓ Deciding on what technology to invest in for your business
- ✓ Determining fee structures for services

Web site – development, maintenance and marketing the web site to gain more business. Studies reveal that small businesses, defined as those with 2-99 employees, and medium-size businesses with 100-499 employees indicate that 30% of them feel that the Internet is important to achieving business goals.

These businesses believe that the cost, security and difficulties in implementing and maintaining commerce sites, and customer service need to be addressed. Small businesses represent 98% of all US businesses, yet only 31 percent of small businesses and 51 percent of medium-size businesses maintain some type of web presence.

Many women are not comfortable in working with numbers. This is especially pertinent to operating a business. They have difficulty calculating start-up costs, estimating monthly expenses, forecasting sales, and understanding and developing cash flow analysis.

Potential solutions we offer

- ✓ Develop workshops outlining terminology, and embed realistic, yet simple examples. Exercises should be included for practice and for explanations.
- ✓ Make the workshops affordable and accessible to women, according to their available hours.
- ✓ Assist in marketing the workshops.
- ✓ Provide more forums like the Women's Business Institute's Entrepreneur Workshop so successful entrepreneurs can share their business ownership experience with those interested in starting a business.
- ✓ Provide small grants for the purpose of either establishing a web site or to increase the marketability of the site for small businesses.

Access to Capital

A recent study reported by the U.S. Small Business Administration, Office of Advocacy found that after controlling for differences in credit worthiness and other factors, Hispanic-owned businesses were not significantly more likely to be denied credit and African-American-owned businesses were about twice as likely to be denied credit. Interestingly, Hispanic-owned firms were 22% more likely to withhold a loan application and African-American-owned firms were also much more likely to withhold a loan application, for fear of denial.

There are also myths about grants and special programs for women and minorities. Women who contact our office are led to believe they are privileged and should be given

a break so they seek grants from us. They are always surprised to find that most grants are targeted towards non-profit organizations, are focused on a special program outcome, have rules and milestones which need to be complied with, require grant writers, and that the award takes a longer time frame than most entrepreneurs are willing to wait.

Potential solutions we offer

- ✓ Dispel the myths about grants. Many Internet sites are trying to sell a book about where to obtain grants.
- ✓ For grants which are available: list the sources of grants, focus areas, qualifications, time table, etc.
- ✓ For existing businesses, help build a formula to determine the amount of money required for a line of credit needed and ability to repay.
- ✓ Establish guidelines to determine when it may be good to refinance a business loan or combine solutions to help a company grow.
- ✓ Continue special programs especially geared towards women entrepreneurs and make them readily accessible and understandable.

I hope these challenges described in this testimony can be addressed, and that the solutions offered will be considered. Once again, if any of these or other ideas are implemented, the government needs to think of ways to increase the exposure of these solutions to its target audience of women entrepreneurs. Thank you for this opportunity to appear before this subcommittee today. I would be pleased to answer any questions you may wish to ask me.

House Committee on Small Business
Subcommittee on Government Programs and Oversight

"Women in Business"

June 8, 2000

Prepared Remarks of Glen Mayer
United Parcel Service

Good morning members of the Subcommittee.

On behalf of the more than 340 thousand men and women of UPS, I thank you for inviting UPS to participate in these proceedings.

UPS has long been committed to promoting business opportunities among women-owned enterprises.

In fact, one of our longest-standing vendor relationships is with woman-owned LPS Industries, a supplier of UPS packaging products.

It is evident that women-owned businesses have made enormous strides in recent years.

However, the potential for continued growth is great, and can be attained through collaborative efforts between individual entrepreneurs and corporate and government partners.

Through our association with such organizations as the Women's Business Enterprise National Council (WBENC) and the National Association for Women Business Owners (NAWBO), UPS has expanded its commitment to meet the growing needs of today's businesswoman.

Our network of more than 1,800 women-owned suppliers continues to grow.

This growth is fueled by more than 200 UPS supplier diversity advocates around the country who participate in women and minority business councils on a national and local level.

As our involvement with these groups continues to increase, so does the success of our program.

Taking an active role in programs developed by such organizations as WBENC, NAWBO, the National Minority Supplier Development Council (NMSDC) and the Native American Business Association (NABA) allows us to remain visible to potential business partners.

It also is an excellent vehicle for three critical components of a successful program accessibility, communication and outreach.

The various trade shows, conferences and events are a great way for suppliers to become familiar with our program.

This year, we will distribute nearly 10,000 applications at trade shows and conferences alone.

And that application is going to be accompanied with a conversation about UPS, our program, and what opportunities there may be to do business with us.

That is 10,000 face-to-face contacts! Once again, it is extremely important to interact with suppliers.

Ease of entry also is critical to a successful program.

At UPS, the procedure for entry into the Program is designed to be supplier-friendly

and aims to address any questions at the beginning of the process.

Only certified companies are allowed in our program, and we do not self-certify.

Once a supplier is in our network, we work to align them with the units of our company that would most likely be able to use the products and services they offer.

We've also added another layer of convenience to the process by making our application available online at www.community.ups.com.

Mentoring and development initiatives are also key components of a successful program. A commitment to helping suppliers grow their business is essential.

Once suppliers have proven themselves, we work with them to become a better business and a stronger partner.

Development assistance at UPS includes everything from mentoring to sponsoring our suppliers to attend top business schools such as Kellogg and Tuck.

On occasion, we have provided executives to assist business associations in the areas of technology, finance and record management.

We have also introduced firms to other corporations that may need services they provide.

The UPS approach to supplier diversity will continue to focus on interaction and communication.

And we will continue to aim to establish long-term, successful business partnerships.

We know that the continued success of women-owned businesses is vital to the American economy. And doing business with women-owned firms makes good business sense.

We look forward to continuing our support of women's business enterprises nationwide and applaud them on their many successes.

Thank you.