

# The Woman-Owned Business Experience in Iowa

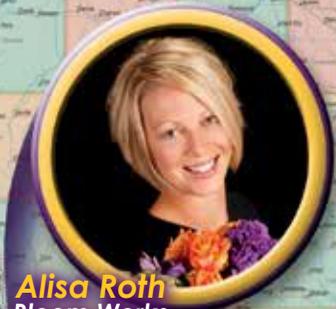
A SPECIAL SEGMENT OF THE 2014 IOWA SMALL BUSINESS REPORT



**Darci Swon**  
InTandem Cowork  
Webster City, IA



**Betsy McCloskey**  
Plaid Swan  
Dubuque, IA



**Alisa Roth**  
Bloom Works  
Council Bluffs, IA



**Lydia Brown**  
Ascent  
Cedar Rapids, IA



**Lori Day**  
FocusFirst  
Des Moines, IA



**Martha Norbeck**  
C-Wise  
Iowa City, IA



Since 2011, UNI has conducted the Iowa Small Business survey to understand sales trends, job growth or loss, capital acquired, and business use of technology among Iowa business owners with fewer than 50 employees. This year, in addition to the overall findings, we put on a gender lens.

For more information about the survey, methodology or results please contact Maureen Collins-Williams at [maureen.collins-williams@uni.edu](mailto:maureen.collins-williams@uni.edu), or Sarah Bey at [sarah.bey@uni.edu](mailto:sarah.bey@uni.edu). For an electronic copy of the complete survey results contact Sarah Bey 319.273.4324 or [sarah.bey@uni.edu](mailto:sarah.bey@uni.edu).



Maureen Collins-Williams  
Researcher in Residence  
University of Northern Iowa



Sarah Bey  
Program Manager  
University of Northern Iowa  
Regional Business Center

This section of the 2014 report is an in-depth look at the woman-owned business experience in Iowa. The following articles, some of which are excerpted from the upcoming book “WE-Women Entrepreneurs” by Maureen Collins-Williams, offers perspective, historical context and suggestions for how public and private sector providers might develop more effective programs, policy and legislation to serve Iowa’s woman-owned businesses.

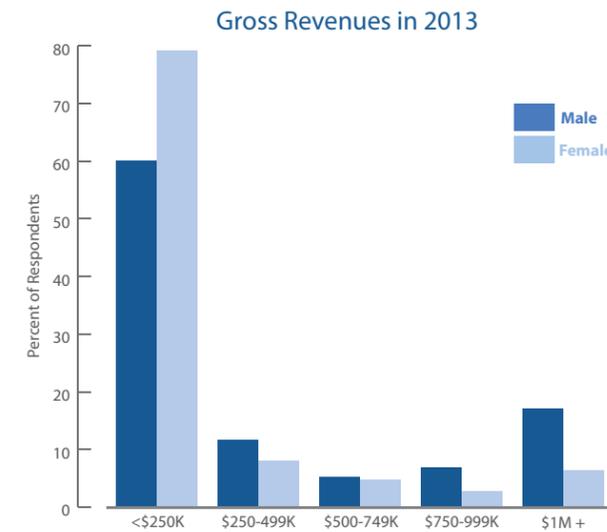
## KEY FINDINGS

- 79% of woman-owned businesses reported sales of less than \$250,000 annually. Conversely, only 6% of woman-owned business reported sales of more than \$1,000,000 each year.
- There are significantly fewer woman-owned businesses in Iowa that are older than ten years.
- Woman-owned businesses in Iowa are clustered in retail and professional services, industry sectors which are traditionally difficult to scale and exhibit slow annual growth.
- There is a clear lack of woman-owned Iowa businesses in industries associated with the 21st century economy, such as technology and advanced or additive manufacturing.
- Iowa woman-owned businesses borrowed less capital from banks on average than their male counterparts in 2013, no matter the size, age or industry of their business.
- Woman-owned businesses turn most, to informal peer networks (family and friends who are business owners) for business advice or services, far outweighing any other resources offered in the state.
- Male-owned businesses reported much greater need for help with critical business issues such as regulatory compliance, human resources, legal or accounting guidance. Women did not, and this statistically related to negative revenue and growth patterns in the state among woman-owned businesses.
- In 2012 and 2013 Iowa women business owners were online more than male-owned business owners and used the Internet to seek funding, get advice and network.

Iowa ranks near or at the bottom of all U.S. states in numbers of woman-owned business start-ups and more importantly, business growth. According to an annual survey released by American Express Open, between 1997 and 2011, the rate of woman-owned business starts in Iowa increased by only 20%—a total of only 11,573 new firms in fourteen years—as compared to an increased start-up rate of 50% nationwide.

In addition, Iowa was the only state in the nation where overall sales revenue among existing woman-owned businesses was negative—by more than 3%—between 1997 and 2011 ([www.OpenForum.com](http://www.OpenForum.com)). A direct link to the report can be found here: [openforum.com/womensbusinessreport](http://openforum.com/womensbusinessreport).

The 2014 Iowa Small Business Survey confirms that Iowa woman-owned businesses are generally smaller and younger than male-owned businesses in the state. In fact, seventy nine percent of woman-owned businesses reported sales of less than \$250,000 annually. Conversely, only 6% of woman-owned business reported sales of more than \$1,000,000 each year.



Along those same lines, woman-owned businesses employ fewer people than male-owned businesses in Iowa and do not seem to persist past the 10-year mark.

Improving upon these numbers will have a positive impact on the economy in the state of Iowa. Woman founders of

Number of Years in Business		
	Male	Female
< 5 Years	34%	42%
5-10 Years	24%	31%
> 10 Years	42%	27%

successful companies offer well-documented differences in corporate management and communications as compared to male CEOs, and a timely focus upon what has become known as the triple business bottom line, defined as “people, planet and profit.” An increase in the number, and success of mid-sized woman-owned companies offers many benefits, not the least of which is building experiential capacity for more women to compete as CEOs in publicly traded companies where their unique perspective can substantially impact business. Given that only 3% of Fortune 500 companies’ CEOs are currently female, there is much work to do to build this pipeline.



This report offers the first serious look at the women who do business in Iowa and provides insight into their experiences, including women’s use of technology, their attitudes about being in business, where they go to seek help and what they believe they need to succeed. It is hoped that these findings will offer a starting point for more complete research and the improvement of resources and services for Iowa women going forward.

Average Number of Employees (Includes Contract Workers)	
Male	Female
7.10	5.27

For over 30 years, researchers have attempted to understand why woman-owned businesses behave differently than male-owned businesses. Several factors stand out which seem to influence how women approach starting and growing a company. Those factors include gender roles in our society, the use by women of role models and mentors and the industry choices of women entrepreneurs. Collectively, these roles, needs and choices have put a damper on woman-owned business start-up and growth nationwide and here in Iowa. More recently, technology innovation is being viewed as both a barrier and transformational opportunity for women in business as well.



**“Family and business can co-exist, but it is a delicate balance.”**

– Nan Valentine,  
Valentine Coaching

Women have multiple roles in American culture, including that of wife, mother and daughter. These roles are unique to the female gender. The role of mother, for example, is widely acknowledged to contribute to the churn of women in and out of micro-enterprise businesses. It may also play a role in keeping woman-owned businesses small, as entry, exit and management are less complicated with a small company. Nan Valentine of Valentine Coaching, for example, owns a home-based executive coaching business in Des Moines, Iowa, serving clients nationwide. The talented author, speaker and coach purposely chose not to have employees in spite of many opportunities to grow. She remains home-based after more than 15 years.

“Family and business can coexist,” Valentine says, “but it’s a delicate balance. When I had my first child, I intentionally crafted a service firm that let me have schedule flexibility. That decision has had a huge impact

on my ability to navigate my sons’ subsequent health challenges over the years.”

In spite of opportunity and market potential to run a larger company, the role of mom superseded high growth entrepreneurship for Valentine. The UNI survey captures what are likely some of these trends among other Iowa women who may avoid entrepreneurship all together

for a period of years. Men outnumber women in business from teenage years until the age of 50, then women outnumber men in business from that age forward.

Industry choice may play a role in the size of woman-owned companies, too. Women entrepreneurs dominate the healthcare industry, education and most retail sectors in Iowa. These industries are traditionally made up of

small companies that are difficult to scale and grow very slowly. In the Iowa survey, female survey respondents made up more than half of the retail business owners, more than half of the service sector businesses and only small fractions of the technology and manufacturing sectors. A technology company has faster growth potential and can be scaled more readily than a retail store, however, men own three times as many tech companies and twice as many manufacturing firms in Iowa as women. For this reason, some researchers suggest that women have smaller companies simply because of the industries they choose.

Peer mentoring among business owners has been affirmed by this study and others as highly valued by women. We know too, that there is a positive relationship between a company’s financial performance and the social networks of the founder. In the 2013 Iowa Small Business survey, nearly two-thirds of all businesses surveyed received advice from another business owner in their local area, and more than half had been advised by a non-local peer. Notably, one-third reported receiving advice online from someone they had not met in person. But as noted elsewhere in this report, connecting can be difficult when there aren’t very many female peer business owners in Iowa to turn to.

Technology and the Internet offer substantive opportunities for woman-owned businesses going forward, to overcome these barriers and to redefine business success. Kauffman Foundation researcher Robert Atkinson reports that most economic growth in the next two decades will come from the application of technology innovations to traditional industry. Retailers selling online, for example, or using mobile apps instead of cash registers are two simple examples of technologically based innovations that can help most any business grow or improve their operations.

While Iowa may rank poorly by national standards for woman-owned business, there has never been more opportunity for advancing women’s entrepreneurship. More work and resources are needed to understand how to convert this knowledge into programs, services and connections, but the future is bright for Iowa women.



Most economic growth in the United States is being led by technology innovation across industries, so it is important that woman-owned businesses utilize technology to compete, grow and more efficiently operate in a global economy. To date, however, woman-owned business owners in Iowa are slow to embrace technology innovations or make changes to their business models to account for technological advances.

More than 25% of male-owned entrepreneurs added employees in 2013 because of technology needs as compared to less than 13% of woman-owned businesses. Among those businesses that hired new technology employees, male-owned companies hired 1.6 times more employees per company than woman-owned businesses who hired.

Male-owned businesses appear to be acting more quickly to re-align their workforce as well. Approximately 15% of all full-time and 19% of all part-time Iowa jobs eliminated last year were due to technology obsolescence (technology advances that make jobs unnecessary), but none of those lay-offs were from woman-owned businesses.

Woman-owned businesses know that technology incorporation is an area where they need to improve their operations; they indicated a need to address technology issues and web development in their top four technical assistance needs.

### Top Assistance Needs Among Women



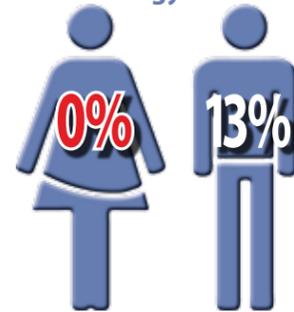
In a recent interview with Kor, LLC., a ten-year-old Cedar Rapids based woman-owned commercial interior design business, the topic of technology is at the forefront of the company's strategic planning. According to founder Mary Segriff, "Technology innovations offer exciting opportunities for growth and diversification but getting there is difficult." Further, she says that, "Although we are excited about what technology can do in our industry, figuring out how to do it is a little daunting. I often feel I am being held hostage by my lack of comfort with technology."

Segriff is not alone in feeling overwhelmed by technology. For many women it is a new and foreign industry dominated by men. Women business owners however, don't need to know how to code or understand the tech culture – they just need to know what problems their customers need solved. It is likely that there 'is an app for that' that would leapfrog her company forward. She just hasn't asked for it.

#### Owners Who Added Employees due to Technology in 2013



#### Owners Who Eliminated Employees due to Technology in 2013



**"I often feel I am being held hostage by my lack of comfort with technology."**

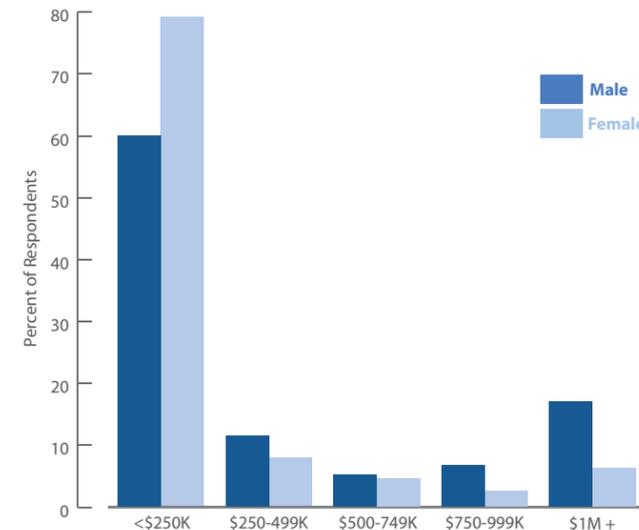
– Mary Segriff, Kor LLC



Nationally, women are embracing entrepreneurship at record rates. Over the past 14 years, women have started business operations at 1.5 times the national average, and today, woman-owned businesses account for approximately 29% of all United States companies.

In spite of owning nearly one third of all American business, woman-owned companies account for only 6% of the country's jobs and 4% of business revenues—a figure largely unchanged from 1997. One reason for this, according to a 2012 study released by American Express Open, is that the numbers and performance by woman-owned businesses tend to fall precipitously as revenue approaches \$1 million and higher, a business designation loosely defined as Stage Two operations.

#### Gross Revenues in 2013



In Iowa, and across the country, woman-owned businesses are younger and smaller than their male counterparts. New data indicates that woman-owned businesses actually grow much more quickly than male-owned businesses and achieve higher than average employment and revenue growth while their sales are between \$10,000 and \$100,000. Somewhere between \$200,000 and \$1 million in sales, however, these firms fail to thrive in comparison to male-owned businesses of similar size. Companies who cross the \$1 million threshold tend to stabilize, but woman-owned businesses are far less likely to get there and once there, they still underperform.

**"...it is time to reverse this trend!"**

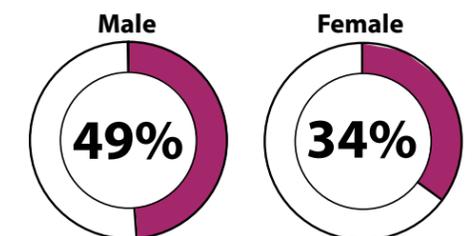
– Lydia Brown, Ascent



Affecting these trends is central to the work of Ascent, a new Iowa non-profit dedicated to helping woman-owned businesses in the state of Iowa. Collectively, only about 31% of female-owned businesses reported business expansions in 2013, while 40% of male-owned businesses expanded. In addition, more woman-owned businesses than men reported their business activity was flat or had downsized. According to Lydia Brown, founder of Ascent, "The recent survey findings reflect a concerning challenge. Iowa has consistently lagged behind other states in creating and growing woman-owned businesses and it is time to reverse this trend."

More than half of the woman-owned business owners surveys expect their sales to grow in the coming year but few are translating that optimism into action. While nearly half of male-owned businesses reported intentions to hire, only about one-third of woman-owned business reported they would add employees. "Women tend to be conservative in their business outlook," suggests Brown. "However, when they add jobs, they keep them in part because they cautiously planned for the added payroll. It is one reason why women entrepreneurs are credited with being strong managers."

#### Business Owners who Anticipate Adding Employment in 2014



Iowa businesses turned to one or more of eight primary sources of capital during 2013. These sources included banks, credit unions, investment groups, revolving loan funds, crowdfunding, friends & family and personal money. While similar numbers of men and women applied to each funding source during the year, the amount of capital they obtained was different.

Among businesses that applied for bank financing, for example, the average male-owned business secured more money than the average woman-owned business. Overall, male-owned businesses borrowed an average of \$150,500, while woman-owned businesses borrowed an average of \$29,625.

Accounting for industry differences, such as retailing where survey respondents who were women own 10% more retail operations, male-owned retailers secured an average of \$138,937, and female retailers secured \$20,333. The same was true of businesses in the professional services industry. Male-owned professional services businesses secured an average \$111,714, while woman-owned firms in the same industry secured \$31,571. Similar trends were found when comparing male- and woman-owned businesses of similar ages.

A look back at the 2012 survey showed that in at least one industry, women secured more financing than men. Woman-owned professional service businesses borrowed an average of \$40,888 as compared to male-owned, which borrowed \$24,032. However, overall, the average male-owned business in 2012 secured \$64,500, while the average woman-owned business secured \$39,885.

Federal Deposit Insurance Corp. records show that 208,960 small business loans were approved by Iowa banks in 2013, totaling more than \$16.3 billion.



**"...women tend to be more financially conservative than men."**

– Lori Ristau,  
Iowa Bankers Association

Capital Secured by Source		
	Male	Female
Bank Loans	\$150,500	\$29,625
Credit Union Loans	\$83,250	\$18,625
Crowdfunding Website	\$50,000	\$0
Friends/Family	\$32,783	\$2,800
Grants	\$13,700	\$3,619
Investment Group	\$85,000	\$100,000
Personal Money	\$13,911	\$7,892
Revolving Loan Fund	\$7,083	\$10,833
Other	\$39,400	\$12,000

According to Lori Ristau, Vice President of Marketing and Communications for the Iowa Bankers Association, the finding that men are borrowing more of those dollars than women isn't surprising. "Other studies have shown that women tend to be more financially conservative than men. They usually save more and take fewer risks when investing, so it makes sense that they also would be more conservative borrowers," said Ristau.

For both men and women small business owners, it may be that a lack of financial education is the biggest barrier to the growth of their businesses, added Ristau. "In a recent study in another Midwest state, small business owners cited a lack of business finance education as one of their biggest barriers to growth. This Iowa study also found that help with financing is near the top of business owners requests for assistance."

To help provide easier access to financial education, this year the Iowa Bankers Association rolled out a new scholarship program for small business owners to attend financial literacy training, which business owners can apply for through their local Iowa bank. The discrepancy between men and women suggests that women are more conservative or that men are more risk tolerant in business finance. This is not an Iowa-centric issue. A July 2014 report of the U.S. Senate Committee on Small Business and Entrepreneurship found similar capital issues among woman-owned business across the country.

More than half of Iowa woman-owned businesses use their Chamber of Commerce and local networking clubs as a preferred source to secure advice and services. Lori Day, President of FocusFirst, Inc and current President for the National Association of Women Business Owners (NAWBO) central Iowa chapter, says that formal networking—local and statewide—is critical to improving the overall business climate for women. "Women need industry and business connections to share their common challenges and identify resources and solutions. These connections maximize mutually beneficial opportunities."

Women are going online, too, to obtain advice and services. Approximately 65% of all the UNI online Business Concierge users in 2013 were women and 61% of woman-owned businesses engage with their professional trade organization mostly online. "Not surprising," says Day. "We see that women business owners are open-minded and they consistently demonstrate their interest in learning, growth and development...all of which are good for business. Women aren't afraid to ask for directions—and they certainly aren't afraid to search online for the right people and resources until they've gotten the answers they need."

Day and others are calling for better statewide opportunities for women to connect, including a newly

Service Provider Use		
	Male	Female
Cowork Facility/Incubator Program	13%	8%
Chamber/Local Networking Club	45%	53%
Entrepreneur Contest(s)	12%	15%
Family/Friends that are Business Owners	65%	75%
IASourceLink.com	20%	24%
Iowa Department of Revenue and Finance	23%	26%
Iowa Economic Development Authority (IEDA)	12%	9%
Iowa Microloan Program	5%	5%
Iowa's for Social and Economic Development (ISED)	3%	6%
John Pappajohn Entrepreneurial Center (JPEC)	11%	5%
Other Business Owners via Online Forum/Chat Room	37%	37%
Professional trade organization	47%	39%
Renew Rural Iowa	5%	4%
Small Business Administration (SBA)	20%	21%
Small Business Development Center (SBDC)	22%	22%

announced expansion of NAWBO from a central Iowa resource for woman-owned business to a state-wide association called NAWBO Iowa.

The recent creation of a statewide women's business support organization, called Ascent, is timely as well. Founder Lydia Brown envisions Ascent as a formal connector of Iowa woman-owned businesses with the resources and services they need across the state. The Cedar Rapids based non-profit has begun serving women through bootcamps and counseling and more efforts are planned. She notes, "We are working to meet women where they are in their business lifecycle and to support the individual woman business owners' needs."



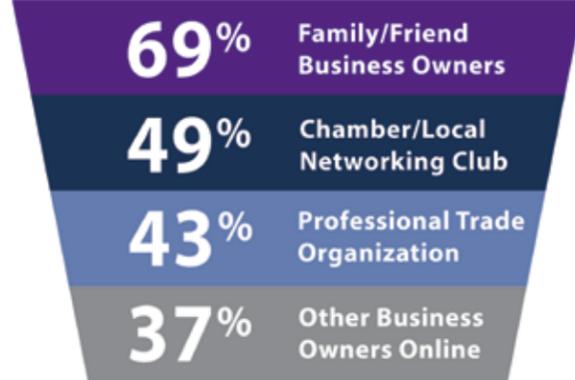
**"Women aren't afraid to ask for directions and they certainly aren't afraid to search online for the right people and resources until they've gotten the answers they need."**

– Lori Day, FocusFirst and NAWBO

Nearly 70% of all survey respondents reported turning to peer business owners in their closest circles for advice, far more than any other resource.

The 2012 American Express Open study reports there are approximately 72,000 Iowa businesses owned by women, or about 28% of all businesses in Iowa. For female entrepreneurs, then, finding other like-minded women may be difficult. Male business owners have nearly three times as many peers of their own gender to turn to, as compared to woman-owned businesses in Iowa. Woman-owned businesses are not evenly distributed throughout Iowa either. Finding a mentor in Elkader may be far more

### Where Business Owners Turn for Help



**“Women need to access the wisdom of other women with similar issues.”**

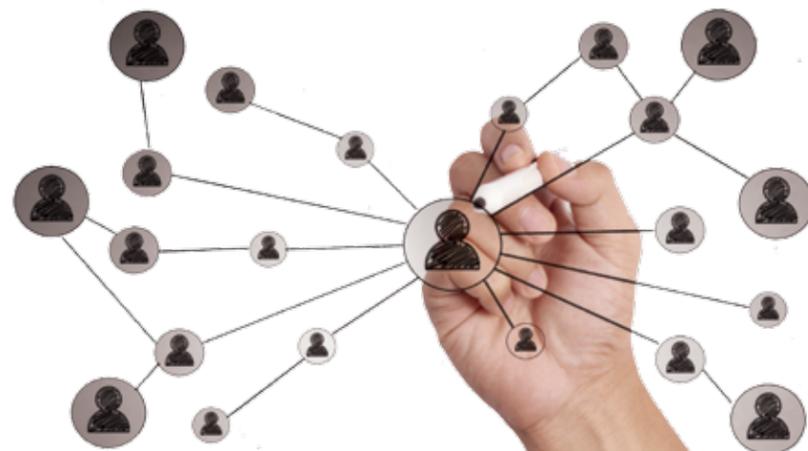
– Nan Valentine, Valentine Coaching

difficult than connecting with a woman in Cedar Rapids, making rural woman-owned business less apt to connect with other like-minded women. Does gender matter?

“It matters on many fronts,” notes Des Moines-based Nan Valentine of Valentine Coaching. “When women with young children have an office at home, problems are inevitable. It can be a tough balancing act. Since most men aren’t juggling a home-based business and primary child care responsibilities, I expect it’s hard for male mentors to relate. Women need to access the wisdom of other women with similar issues.”

Professor Kristine Kuhn of the University of Washington has looked at the Iowa survey data associated with the topic of peer learning. In a paper under review, she makes note of some primary research suggesting that founders of rapid-growth firms preferred peers as advisors over other potential sources, despite the fact that these entrepreneurs had incentives to obtain

advice from government and paid professional sources. This suggests that connecting growth oriented Iowa women with other women of high growth companies is especially important. According to Dun & Bradstreet, however, there are only 1,301 woman-owned companies in the state with 9-99 employees, a very small number of women to connect.



The Regional Business Center team philosophy is to listen to small business owners, imagine what we can do to make life better, and to create solutions leveraging our university and technology assets. Annually, we evaluate how we’ve done in terms of economic impact, user experiences, and popularity. The programs below are just some of the resources made available to small business owners across the state. For more information visit [www.uni.edu/rbc](http://www.uni.edu/rbc).

The Iowa Small Business Report is the only annual statewide survey of small business owners in Iowa. The 2014 report captures economic activity among small business owners with fewer than 50 employees and offers the first in-depth look at woman-owned businesses in the state. First conducted in 2012, the survey provides researchers, policy makers and service providers throughout the state a better understanding of the needs of Iowa’s small business community.

**BusinessConcierge** The Business Concierge gives small business owners a single place to call, email, chat or tweet to get business information, market research or a referral to an Iowa service provider partner. Our ‘Ask Us Anything’ approach gives confidence to the shy, empowers the excited and ensures no business question goes unanswered. More than 600 businesses are served annually, at no charge. <http://bizhelp.iasourcelink.com>

Dream Big Grow Here is an online contest providing small business owners across industries an opportunity to earn a \$5,000 prize and another \$10,000 grand prize annually. Launched as a pilot in 2010, Dream Big Grow Here attracts more than 100,000 site visitors each year and culminates in live, pitch-off events. <http://www.dreambiggrowhere.com>



**IASOURCELINK** IASourceLink is the premier online resource connecting entrepreneurs and small businesses to more than 320 resource providers across Iowa. IASourceLink is a collaboration between the Iowa Economic Development Authority (IEDA) and the University of Northern Iowa’s Regional Business Center. <http://www.iasourcelink.com>

Advance Iowa is Iowa’s recognized holistic consulting program for mid-sized growth companies. Work is performed with companies in a variety of industries across the state, assisting them with core strategies. <http://www.advanceiowa.com>



**ENTRE FEST** Since 2008, the Regional Business Center has led a collaborative effort among service providers to host a statewide small business conference called EntreFEST. Now a public-private partnership, EntreFEST attracts more than 500 attendees representing all facets of the entrepreneurial sector for a three-day innovative event like no other. <http://www.entrefest.com>

The Entrepreneurial Regions Project, in partnership with UNI’s Institute for Decision Making (UNI IDM), provides in depth and hands on assistance to communities interested in supporting entrepreneurial activity. Through training, planning assistance and support services, communities work to improve the entrepreneurial culture and business access to capital, technical assistance and networks.



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Regional Business Center Entrepreneurship Outreach