



Moments That Matter

Understanding the experiences of women-veteran-business owners in Dallas–Fort Worth

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Introduction

Now more than ever, we know that small businesses play an enormous role in the American economy. They make up 99.9 percent of U.S. businesses and employ almost half of all private sector workers.[1] Prior to the COVID-19 pandemic, the number of small businesses was growing, although this growth was not felt by all business owners, nor at the same rate.[2] Women-owned businesses, for example, grew twice as fast as all firms did between 2014 and 2019.[3] However, research also shows that women-owned businesses are more likely to struggle than their male-owned counterparts.[4] On the other hand, the number of veteran-owned businesses has declined, as has the rate of entrepreneurship among veterans.[5] Veteran-owned businesses also generally perform worse than their non-veteran-owned counterparts.[6]

At the intersection of these groups are women-veteran-owned businesses. Between 2007 and 2012 (the latest data available), women-veteran-owned businesses grew from 4 percent to 15 percent of all veteran-owned businesses, an increase of nearly 400,000 new firms and far beyond the women's share of the veteran population (9 percent).[7],[8] While there is much to learn about women-veteran-owned businesses, research on this demographic is extremely limited and is often overshadowed by statistics on veteran-owned-businesses that predominately reflect male-veteran-owned firms.

Although data on the subject are hard to find, what little we have indicates that women-veteran-owned businesses often fare poorly compared with other businesses. This is hardly surprising given the difficulties faced by women- and veteran-owned businesses broadly. According to a 2017 analysis of U.S. census data by the National Women's Business Council (NWBC), women-veteran-owned non-employer firms made much less in receipts than their male counterparts.[9] The same is true for women-veteran-owned employer firms which, according to the NWBC, have disproportionately low receipts compared with their share of veteran-owned employer firms.

Before the global pandemic, the Dallas Fed's interest in an inclusive regional economy led us to collaborate with the Veteran Women's Enterprise Center to try to understand the specific issues faced by women-veteran entrepreneurs—a group already struggling to get by. Because these businesses were at a disadvantage prior to the economic crisis triggered by the pandemic, they are more vulnerable to the effects of the crisis and are, therefore, more in need of assistance today. With dollars flowing through several economic stabilization programs at the federal, state and local levels, perhaps some of those programs can serve as a lifeline for this group of entrepreneurs.

Origins and Methodology

Based on recommendations from the NWBC and the Small Business Administration's Advisory Council on Veteran Business Affairs, the Veteran Women's Enterprise Center (VWEC) sought a partnership with the Dallas Fed on this project. The project's goal is to conduct a local assessment of the establishment, development and outcomes of women-veteran-owned businesses in the Dallas–Fort Worth (DFW) metroplex. The VWEC's ultimate goal is to develop a regional—and eventually national—tool to annually report on the status of women-veteran-owned businesses.

As a first step in this project, the Dallas Fed and the VWEC designed the “Moments That Matter” survey to capture the most formative experiences of women-veteran-business owners in the 13-county DFW metroplex. The survey included questions based on existing small business surveys that address basic demographic information, business formation, present-day operations and performance, and the business owner's outlook on the future.



Fifty-five women-veteran-business owners completed our survey, and nine of them participated in in-depth phone interviews after completing the survey. The following is a description of their common experiences. Given the small sample size of respondents, the trends highlighted in this paper are not meant to be representative of all women-veteran-business owners and should not be interpreted as such. Rather, our goal is to shed light on themes that can guide community members and small business support programs to engage women-veteran entrepreneurs, especially during ongoing economic recovery efforts.

Impact of COVID-19 Pandemic

An initial version of this report was written prior to the economic downturn brought on by the COVID-19 pandemic. Financial distress has since hit small businesses all over the country, and the Moments That Matter survey respondents are no exception. In fact, with many of our respondents still in the “start-up” phase of their business and without much revenue to begin with, they may not stand to benefit from some of the economic interventions put into place by federal and local actors.

In a follow-up survey sent at the end of April 2020, business owners indicated that the pandemic's immediate impact on their business is largely the need to use personal funds to keep their business afloat. They identified the following as the most critical interventions for businesses like theirs (listed in order of popularity, starting with the most popular):

- Grants from the federal government.
- Loans and grants for specific demographics (minority-owned businesses, women-owned businesses, etc.).
- Suspension of existing loan payments.
- Credit repair services.

One respondent also wished that the contract workers she hired could be included in her payroll costs when she applied for the Payroll Protection Program. None of the respondents could name effective local interventions when asked—with some replying that their business was too new or too small to benefit from local programs. One business owner said there was “a lot of talk” about supporting small businesses but not much to show for it.



Finally, we asked about the long-term effects of the pandemic on respondents' businesses. Some were trying to pivot their business to a different product or to online operations (which costs money, they pointed out). For example, one respondent is a financial coach who had to move all her in-person training online. Another switched industries completely, from the hard-hit export/import business to personal gifts and advertising. The lack of in-person events and networking weighed heavily on some businesses that used these types of events to find clients. For those whose businesses provide safety consultancy and travel planning services, both government-advised social distancing and individuals' wariness to travel are significantly affecting their businesses. One respondent, whose clients are mostly other small businesses, mentioned that she is thinking of closing her business entirely.

As this report outlines, women-veteran-owned businesses in DFW tended to face barriers to success prior to the COVID-19 pandemic. The resulting economic fallout of the disease has only exacerbated these issues. At a moment when virtually all businesses are struggling, it is especially important to take notice of businesses that faced the largest systemic barriers prior to the global pandemic. Designing specific initiatives to support these vulnerable groups will be paramount to their continued existence.

Main Findings

The respondents to the Moments That Matter survey tended to be college educated and somewhere between their late 30s and early 50s in age. Most spent five years or fewer in the military, and most were African American. Importantly, almost all of the respondents were heads of household, covering at least half of their family's expenses. Most had children, and about half were married. In addition, most were homeowners and had cars, implying that as heads of household, they were responsible for making regular mortgage and car payments. As we outline the experiences of our respondents, it is important to remember the crucial role these business owners have as primary contributors to their household income.



Most of our respondents were first-time business owners and started their businesses in the last few years. About half started their businesses while working full time elsewhere, and for the majority of the respondents, their businesses are not their primary source of income. Most of these businesses operate from someone's home, and very few have any paid employees besides the owner. For many (though not all) of our respondents, it appears that their businesses started small and remained small.

Our in-depth interviews shed some light on these responses. Most interviewees *wanted* their business to be their primary source of income—their business simply didn't generate enough revenue. Similarly, most interviewees would have liked to hire employees (or more employees) in the future but could not afford to. In general, these entrepreneurs wanted to see their businesses grow and did not want to remain at their current size. These responses are consistent with anecdotal information from the VWEC's experiences with local women-veteran-owned businesses.

"I've been in the logistics and transportation business for well over 15, 20 years in some form or fashion, and I've always worked for someone else, and I thought I can do this for myself, you know, and be my own boss. So, I thought, why not go ahead and make the leap and do it for myself instead of working for someone else?"

Roadblocks to Success

One of the biggest challenges our respondents faced is the availability of capital, or lack thereof. Capital access is crucial both when starting and growing a business. Most respondents used less than \$5,000 to start their businesses. The most common funding sources were personal savings, personal credit cards and personal assets other than savings. Hardly any respondents used a business loan or had a line of business credit. These are all common traits of women-owned businesses, particularly businesses owned by Black women. [10],[11]

The same is true for veteran-owned businesses, perhaps related to the difficulty in building a credit history due to frequent moves and overseas deployment.[12] Our interviewees expressed hesitation in taking out loans and were more comfortable using personal funds to start their business. Others did not pursue a business loan because they thought their credit would not be good enough (more than one interviewee cited a divorce as a reason why their credit suffered). The Department of Defense's Office of Financial Readiness provides financial literacy education and access to personal financial managers and counselors, though the office does not provide specific support for veterans starting a business.

"[When I was just starting out] I didn't know anything about business credit ... so [with] the lack of knowledge of that over the years ... my credit has taken a beating."

"You're applying for this business loan over and over and over again and you ... [sometimes] need a co-signer ... Who has in their back pocket somebody who's willing to sign off on you? Not many people do."

When it comes to revenues, only a handful of respondents were operating at a profit. Their business revenue streams were not diverse, with individuals accounting for most of their customers and very few having contracts with governments or other businesses. Operating funds mainly came from the owner's personal funds rather than retained business earnings.

Even before the COVID-19 pandemic, decline in customer spending and economic uncertainty worried our respondents as they considered their business' future. Additionally, when asked about their concerns outside of their business, the most common challenge respondents faced was the lack of personal time for themselves, especially when it comes to fitness and nutrition. This may not be surprising given that many of our respondents had families and may have other jobs that provide their primary income.

The Role of Small Business Support Programs

When businesses hit a roadblock, small business support programs can serve as a potential lifeline, especially for first-time business owners. These organizations, some of which are specific to women and/or veterans, can help entrepreneurs create a business plan, guide them on how to fund their businesses and pair them with a mentor. However, the vast majority of respondents felt that there was a lack of mentors and support networks for women-veteran-business owners, and most of them did not have any when they started their business.



In addition, our survey listed several nonprofits and governmental organizations designed to help small business owners (particularly women and/or veterans), but about half of our respondents had not used any of these services. One interviewee said she was discouraged from looking into these programs because she had been turned down for funding so many times before. It is unclear whether others' lack of participation is also due to discouragement, a lack of knowledge about these services or some other reason. Nevertheless, it appears, based on our limited sample size, that these resources may not be reaching all of their potential clients.

"I've not looked into [small business support programs] just because ... I get turned down a lot for loans, and so I always feel very discouraged ... I just don't take the initiative on my own because it's discouraging to continually be turned down for something I really, really need."

Unlike our survey respondents, most of our phone interviewees had used a small business support program. Consistently, they cited the program's social network as its most valuable component. Several interviewees relied heavily on their fellow program participants as both sources of information and emotional support. It's in these spaces that some of our interviewees found mentors and more advanced businesses that they could engage as coaches and sponsors.

Because these small business support programs are intended to support our interviewees, we asked them if they had suggestions for how these programs could improve. Their ideas include the following:

- Provide training on business and/or personal credit.
- Offer credit repair services.
- Improve communication about services designated for veterans (business-related services as well as others).
- Conduct fewer surveys and have more one-on-one conversations.
- Make symposiums or conferences (and their materials) available online for free.

Next Steps

The economic fallout caused by the COVID-19 pandemic has made supporting small businesses an urgent and critical need, especially women-veteran-owned businesses. Given that this particular subset of business owners was facing significant issues before the crisis, the troubling question now is whether the pandemic has wiped out many of these businesses for good. Prior to the economic fallout in the spring of 2020, about half of small businesses had less than a month's worth of cash reserves.^[13] Since only a small share of our survey respondents were turning a profit prior to the crisis, it is not an exaggeration to suggest that many women-veteran-owned businesses are facing an existential threat. Policymakers can try to prevent this threat from becoming a reality by asking:

- Does the economic relief I'm offering extend to businesses that are new, were struggling before the crisis and/or are underbanked? If not, how can I reach those businesses?
- How can I target my economic relief package to minority- and women-veteran-owned businesses? Which community development financial institutions, nonprofits or community organizations can connect me to these businesses?



As government and small business support programs address this need in the short run, future research should delve into the reasons why some women-veteran entrepreneurs did not receive services from the organizations that seek to support them before the crisis. Are they unaware of these services? Are the services not conveniently located? Or is it simply difficult to devote the time to seek out and receive these resources? Once those reasons are identified, more can be done to guide entrepreneurs to services that can help them. Each of these services has the potential to address some of the challenges our respondents encountered, and it's important to use these resources effectively.

Other questions for future investigation include:

- How many of these businesses are meant to provide supplemental income, and how many are intended to be (or are already) the owner's main source of income?
- How many women-veteran-business owners apply for bank loans? What is the average amount requested? And how does their loan approval rate compare with other small business owners?
- What can be done to improve women-veteran entrepreneurs' access to capital?

Without timely and tailored interventions in the post-pandemic business climate, many women-veteran-owned businesses may not survive. Now is the time for policymakers and business and community leaders to ask themselves whether to take this opportunity to better support these businesses in both the short and long run.

This report concludes phase one of the Moments That Matter Research Project. The VWEC has launched phase two through Southern Methodist University's Hunt Institute, Global Development Lab.

Notes

1. "United States 2019 Small Business Profile," U.S. Small Business Administration Office of Advocacy.
2. See "Figure 1. Number of Small Businesses in Millions" in "Frequently Asked Questions About Small Business," U.S. Small Business Administration Office of Advocacy, August 2018.
3. "The 2019 State of Women-Owned Businesses Report," American Express, 2019.
4. "2016 Small Business Credit Survey: Report on Women-Owned Firms," by Claire Kramer Mills, Federal Reserve Bank of New York, November 2017.
5. "Financing Their Future: Veteran Entrepreneurs and Capital Access," by Sid Sankaran and Jessica Battisto, Federal Reserve Bank of New York, November 2018.
6. See note 5.
7. "Survey of Business Owners (SBO)—Survey Results: 2012," Census Bureau, Feb. 23, 2016.
8. "Women's Health USA 2012: Women Veterans," U.S. Department of Health and Human Services, 2013.
9. "Veteran Women & Business: A Data Resource," by Dolores Rowen, National Women's Business Council, November 2017.
10. See note 4.
11. "Black Women Business Startups," by Dell Gines, Federal Reserve Bank of Kansas City.
12. See note 5.
13. "Cash Is King: Flows, Balances and Buffer Days," by Diana Farrell and Chris Wheat, JPMorgan Chase & Co. Institute, September 2016.

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Full report is available online: <https://www.dallasfed.org/cd/moments>.

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