



# Today's Female Passion for Entrepreneurship

By Barbara DeLollis



**C**ancer put Kris Beard in business. She lost her right breast, her hair, and life as she knew it five years ago. When she went bra shopping, she discovered the local boutique in Toledo, California that carried prostheses didn't stock the large size she needed. That was odd, she thought, since 80 percent of women who have mastectomies gain weight. Having no patience for special orders, she opened her own shop with a girlfriend.

Beard soon learned she wasn't alone; 20,000 women in the Toledo area had had mastectomies, and they poured into her shop. Four years later, Beard's boutique occupies an entire building. She has seven part-time employees, most of whom are cancer survivors, and business continues to boom. That Special Woman Inc. has won two HMO contracts and is negotiating for a third. What she thought she'd make in a year—\$12,500—she made in one month, and store receipts soon returned her initial \$25,000 investment. Within two years, she made enough money to buy out her friend.

Getting there wasn't easy, says Beard, a 47-year-old former youth counselor. She recalls the time she was laughed out of the office where she applied for a small business loan. "He told me there wasn't a need for that," she says with a chuckle. "I'm stubborn. So I took the money Dad left me."

Joanne Cornwell started a business called Sister Locks in her San Diego home in 1992. The company grew out of a hair technique she developed based on the ancient art of African hair weaving. She's now in year four of "doing double duty" as a tenured professor at San Diego State University and 20-hour-a-week entrepreneur, operating her business with the help of two sisters.

Cornwell considers herself an unlikely entrepreneur. She was satisfied with her position as chair of her college's Africana Studies program, and took on the business mostly as a contribution to black cultural and economic self-reliance. Then she ran into government roadblocks. California's cosmetology board recognizes only hair straightening techniques, effectively outlawing salons that specialize strictly in hair weaving, a bit of regulatory bureaucracy that Cornwell is now challenging in court with the help of lawyers from Washington, D.C.'s Institute for Justice.

"Black women are very enterprising," says Cornwell, whose own long locks flow past her shoulders. "The problem is, when you have to do that under the table, you don't have access to business development opportunities. You don't develop the business ethic that is going to be needed to be successful on a larger scale."

In thousands of places between Toledo and San Diego, and in every other region of the U.S., millions of intrepid woman entrepreneurs like Beard and Cornwell are quietly revolutionizing the American business landscape. Motivated by the hope of making a personal contribution to society, the arrival of children or other desire to accommodate work to family life, the irresistible urge to explore a niche market, or an attempt to skirt limits on personal achievement, women are starting more businesses than ever before. Female bosses now employ 35 percent more people than the *Fortune* 500, according to figures compiled by the National Foundation for Women Business Owners and Dun & Bradstreet Information Services.

Of the 4.7 million individually-owned U.S. businesses that had paid employees (other than the owners) in 1994, 35 percent had female ownership—16 percent were owned solely by women, and another 19 percent were owned by women and men jointly. Among firms just being launched, an even higher proportion have female owners, and the rate of female business ownership is in the process of accelerating upward.

When home-based and other small businesses that have no outside employees are counted, there are an estimated 8 million women-owned firms today, generating annual sales of \$2.3 trillion and employing 18 million people, according to the foundation. Small businesses are hard to count, and totals can vary a lot depending on what definitions are used over time. But American Enterprise Institute economist Diana Furchtgott-Roth suggests recent growth in female entrepreneurship has been pretty dramatic. In

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1982, she estimates, there were about 2.6 million women-owned businesses. By 1987, the number reached 4.1 million, then grew to about 8 million today. And "if you eyeball it, it looks like around the year 2000, it will probably be 9 million or possibly 10 million."

Some observers claim this count is inflated because it includes part-time work done by women holding full-time jobs. But Lindsey Johnson Suddarth, co-CEO of Women Inc., a Sacramento, California nonprofit group that promotes female entrepreneurship, argues "it's not really a misstatement" to count part-time ventures as businesses because often women are saving their paychecks for start-up capital.

That was true of Gayle Ortiz, the founder of Gayle's Bakery, a veritable institution in the Northern California beach town of Capitola. Twenty years ago, she was preparing croissant dough and baking it at home in between waitress shifts. She did that for one year until she'd saved enough money to leverage into a \$20,000 loan through her father and a local banker. With the money, Ortiz and her husband opened up a French bakery that has since been remodeled six times and grown into a 10,000-square-foot gourmet palace with \$4 million in annual sales.

"I wanted to own my own business and bake. Period," says Ortiz, 47. "I knew I didn't want to be 40 years old and waitressing. My friends liked that lifestyle: plenty of time off and plenty of money. But I knew I wouldn't be happy with myself."

Dr. Deb Cain Good, research coordinator for the National Education Center for Women in Business at Seton Hill College in Greensburg, Pennsylvania, contends there is no reliable way to measure the number of women-owned businesses. Census data are old, she says, and assume that every clean-

ing lady, tailor, graphics designer, and manicurist reports herself to the IRS. Good adds to the count herself: To accommodate her new role as mother, she works at home as a research consultant in addition to teaching at the University of Pittsburgh. "There are a lot of black-market businesses," Good notes. "They deal in cash, and we don't have a way to count them" or their employees.

After all the statistical static, it's clear that millions of American women are plunging into small business. The U.S. Department of Labor projects that by the year 2000 up to half of all American businesses may have a female owner, a sharp leap from 26 percent in 1980. Joanne Cornwell calls it "a revolution, not from the top down, but from the bottom up."

One of the factors feeding female entrepreneurship today is the sweeping changes in corporate America. Efficiency drives have squeezed hundreds of thousands of secretaries and middle managers out of corporate offices. Many have found

Joanne Cornwell



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a new job by making it for themselves. Another group of corporate refugees are women who refuse to sacrifice their family for a seat in the boardroom. Other women just prefer the opportunities of self-employment to the prospect of working for a big organization.

Sandra Mercado, 26, knew the corporate path was not for her: "I have always wanted to own my own business since I was a kid. I envisioned being president of something." She credits her drive to growing up on welfare, an experience that gave her a severe distaste for dependency and economic stasis. Today, Mercado, a savvy self-promoter, owns Popcorn Paradise Inc., a retail venture with one successful location in Chicago and a second set to open at O'Hare International Airport this summer.

"It's kind of like you were stuck, and after you got stuck you got comfortable. And after you got comfortable, you got lazy," she says of life on welfare. "There are a lot of kids out there who don't want to be stuck on public aid."

Mercado grew up in Chicago's bleak barrios where she had two choices: give up or fight. She chose the latter. Valedictorian of her high school, Mercado was one of just seven out of a class of 300 to attend college. Most of her friends were high school drop-outs who figured they would die young. Many did, victims of drive-by shootings or their own despair. Despite urgings from a guidance counselor to settle for a junior college, Mercado enrolled in and graduated from the University of Illinois.

Mercado's mother raised five children on welfare after her small bridal shop failed and her marriage to an alcoholic ended in divorce. Mercado insists the greatest influence on her life was her grandmother, who emigrated to Chicago from Puerto Rico. Before her death she presented her granddaughter with a recipe book. Among its yellowed pages was a recipe for the caramel popcorn that became the basis for Mercado's venture.

It took Mercado two years of saving her salary and pounding the pavement before she found retail space. "It's harder for a person on public aid to start their own business," she says. Renting a place

in a nice area was difficult "because I had no collateral. I had no net worth." On the visit that she had decided would be her last, she met a landlord who took a chance and leased her space in Lincoln Park, an upscale residential neighborhood. But her problems didn't end there. She discovered that there was less foot traffic than expected and that residents had an affinity for fat-free snacks. Mercado immediately altered her shop's hours and grandmother's recipe, substituting soybean oil for coconut oil and an air popper for a greasy kettle.

The obstacles Mercado faced make for a compelling story, one she eagerly exploits as a marketing tool. Last December, she sketched out her personal and business history to corporate gift buyers at Chicago's 40 largest companies in 20,000 letters seeking Christmas orders. She captured 40 takers, some ordering as much as \$6,000 worth of flavored popcorn.

The surge of women into their own businesses has spawned a new support industry. Veteran Silicon Valley entrepreneur Marleen McDaniel, who describes herself as an "anti-feminist," jump-started Women's Wire, an on-line service catering to women (<http://women.com>), in 1994. Women's Wire, whose editorial content ranges from work wardrobes to sexual advice for women entrepreneurs, was the brainchild of another female pioneer in the male-dominated computer field, Ellen Pack, a 31-year-old Ph.D. in computer science. "She sent me her business plan, and I offered to find her financing," McDaniel reports. "At the end of the summer, we received \$1.2 million in financing, and I stayed on as CEO." McDaniel eventually landed \$7 million in venture capital, fielding ludicrous comments

from potential investors along the way.

"I was asked by one guy if I was a lesbian when I was raising money for Women's Wire," McDaniel recalled in the Joint Economic Committee report to Congress. She responded that she was the mother of two children and happily married for 10 years. "We'll get even by being extremely successful. We have plenty of economic power, and we're getting stronger. That is the best form of feminism in my opinion."

Another potential investor said he didn't need a woman-owned business in his portfolio because he already had one. "And he was a friend of mine," McDaniel chuckles. "Although I found those two incidents amusing, I don't take it personally," she says. "It wasn't easy. But I don't think it's easy for men to start businesses either." McDaniel, who also played a role in starting Sun Microsystems, would not say when she expects Wire Networks, a San Mateo, Calif.-based company that operates Women's Wire, to turn a profit.

Sandra McCluskey, 37, grabbed her independence in 1990 after quitting a professional job at the Cato Institute, a Washington, D.C., research organization where she organized conferences for five years. A rabid Francophile, she wanted to start her own Parisian-style café. She spent the summer in Paris, where she apprenticed at a Michelin-star restaurant and studied successful bistros. She started Le Bon Café on Capitol Hill in 1991, selling espresso and French bread. Today, she has captured the Holy Grail of the modern woman: Mother of two

Sandra Mercado





small children, wife (married to a federal oceanographer), and successful business owner (now expanding into catering). Yet even with a management team she's proud of, McCluskey barely has time to catch her breath, let alone think about her old love, public policy. She's quick to blast Uncle Sam—"taxes are very bad"—and lament over red tape that delayed the opening of her new catering office in Alexandria, Virginia.

The thing McCluskey is seeking most in her business is balance and life satisfaction. "There are a lot of women in the food profession, but really all of the large catering companies are owned by men. Trying to grow and balance everything else, it's tough sometimes," she says. "I've had to set some limits and say this is what I can do and what I can't do. I work a lot. At the same time, I do have freedom and flexibility and am my own boss. It's hard work, but I'm doing what I want to do and I'm not going into jobs I don't like. That means everything in the world to me. It's not money that has motivated me, that's just my end goal. It's more of a concept of business that I want to grow and a product I want to sell people."

Policy makers should be more curious about and attentive to the political impli-

cations of stories like McCluskey's, says Frank Gregorsky, a former aide to the U.S. House of Representatives Republican leadership, and now a fellow at the Discovery Institute in Seattle. With women starting companies at twice the rate of the general population—and their businesses gaining economic clout—women business owners are a growing social force. So why isn't anyone paying attention?

When Gregorsky first noted the surge in women-owned businesses back in the 1980s, he says, "suddenly I flipped. I said, 'This is a great story.' You could be pro-feminist or anti-feminist, but regardless of what your politics are, this is good news for people who favor economic development." He thinks women entrepreneurs are shockingly ignored by Democrats and Republicans alike, as well as the media.

Some businesswomen feel politically homeless. Consider Ortiz, 47, the bakery owner from the Santa Cruz area, a liberal social bubble where strong women dominate the business scene. A long-time Democrat, Ortiz quit the party two years ago, completely disillusioned. "I'm partyless," she says. "No one's getting treated well except for the huge corporations." And in her view that discriminates against women, who she thinks are

natural entrepreneurs, "especially on a small-scale. Men wind up building big businesses and women many times tend to stay small, I think, by nature. It's a more nurturing environment."

Ortiz dropped out of politics after her bakery began pumping profits into her pocket. McCluskey now caters political functions that she used to organize, but no longer has much time to consider how government policies affect the business she's growing. Cornwell promotes economic development for African Americans by suing the government to dismantle barriers to business entry.

As Gregorsky has written, "Yes, the typical female entrepreneur is something of a social and economic pioneer—'taking charge' in ways that earlier generations could hardly contemplate." Yet there are "huge policy gaps between women business owners and the established feminist groups." The result is that there has been very little media or cultural attention to one of the most consequential social developments of our current generation: namely, the feminization of ownership.



Rebecca Lukens

## Women in Business: The Prequel

More than a century before "Rosie the Riveter" started welding liberty ships during World War II, Rebecca Lukens was running a major industrial business. Lukens was directing the nation's first major iron works, the Brandywine Iron Mill, in 1825—almost a century before women won the right to vote. Under her management the mill overcame every conceivable obstacle. The first U.S. firm to roll boiler plate, it survived the panic of 1837, paid off its debts, and relentlessly improved the steel-making process. Today, Lukens Inc., the oldest mill in continuous operation in America, is a *Fortune* 500 company with 3,600 employees and over \$1 billion in sales.

As Lukens' husband lay dying in the summer of 1825, he asked her to take over their iron works. She was hardly in a good position to do so. Her father and a son had also died recently, and ownership of the iron works was being contested. Burdened by grief and lawsuits, Lukens was also the mother of three young children and pregnant with a fourth. "I must do well for the children," she wrote in her diary. With her children in need of support, Lukens set about the daunting task of running the mill. Until then, "the iron business had been very poor," she wrote, and the "constant expense in repairing the works" made it "utterly impossible" to support her family.

But "necessity is a stern mistress; and my every want gave me courage," she wrote defiantly in her diary. She steadily upgraded the

iron works until in 1834 she could boast that "the mill has been entirely remodeled, and rebuilt from the very foundation." She eliminated the company's debts within nine years and saw it through national economic downturns by having the men repair the furnaces when orders were slack. At times she had to resort to paying her workers in fresh produce and dairy products from her farm. The 1840s brought a new obstacle, railroad tariffs. The tariffs boosted freight rates on the iron ore she had to buy and the steel she sold, which made it harder to feed her workers and furnaces.

Lukens is a reminder that women have been succeeding at business in this country for generations. Perhaps the most fitting tribute to her example came from the dockyards of Panama City, Florida, where in 1944 the liberty ship *Rebecca Lukens* was launched to help fight the Nazis. Nothing could be more appropriate—a steel-hulled ship for an iron-willed woman who knew how to win at free enterprise.

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# Small Business, Big Government & American Prosperity

By Ralph Reiland

**L**ast month, Deputy Treasury Secretary Lawrence Summers, formerly a Harvard economics professor, declared, "When it comes to cutting the estate tax, there is no case other than selfishness." Small business owners and family farmers who've worked double shifts to build up their enterprises have a different view.

For them, the 55 percent federal estate tax represents a major

obstacle to the survival of a business from one generation to the next. "It's pure ignorance," says Dan Danner, vice president of the National Federation of Independent Business, the nation's largest small business organization. "It's pretty horrible to imply that small business people who just want to pass their businesses to their children are selfish."

"The estate tax is rooted in the property law of the feudal system, with the premise that you work the land but it's owned by the lord," says Pittsburgh estate planner John C. Ramsey. "Here, the government's the lord." Ramsey tells of a family he knows in the travel business who struggled to sell off half of their assets to pay the estate tax when the husband died so they could keep the business. "The bill was due within 90 days of the funeral."

"Who the devil is being greedy here?," asked Pat Buchanan. "Who is being selfish? The couple that worked and saved a lifetime, or the politicians who did nothing

to create the estate but seized half of it at death? The estate tax is the product of men with the mind-set of grave robbers." Rep. John Boehner, chair of the House Republican Conference, suggested that "Summers' comments capture perfectly the arrogance of the liberal elite who believe that government has some right to redistribute the fruits of a life's work."

**U**nfortunately, Summers' remarks came as no surprise to small business owners, who have become regular targets of we-know-better-than-you elitism from the government and academics. In his book *Vision of the Anointed*, Hoover Institution fellow Thomas Sowell describes a "self-anointed elite," arrogant and ill-informed, that relishes the idea of imposing rules on everyone else today via government. This elite expresses "disdain for the firsthand experiences of millions of people," including their economic decisions via markets. "Those who disagree with the prevailing vision are seen as not merely in error, but in sin"—like the "selfish" offspring who argue the state shouldn't confiscate half of their family business just because their father died.

Small-scale merchants have felt the lash of this self-anointed elite over and over, especially since the Clintons rolled into Washington. Bill Clinton set the tone when accepting the Democratic nomination for his first term, saying, "I have news for the forces of greed and the defenders of the status quo: Your time has come and gone." And he wasn't talking about Little Rock's crooked lawyers and bankers.

Hillary Rodham Clinton followed with her Rube Goldberg healthcare contraption. Referring to the small businesses that her plan would have destroyed, she said, "I can't go out and save every undercapitalized entrepreneur in America." Her verdict on the small businesses who couldn't afford to give 100 percent healthcare coverage to 100 percent of their employees? "Where I come from, free loaders and free riders get no respect." This from a woman who had just arrived from the nation's most expensive public housing, via tax-paid limousine, to speechify and then eat a free lunch. The message from the central planner was loud and clear: Go out of business if you can't pay for our vision.

Earlier, the Clintons tapped Harvard professor Robert Reich to be U.S. Secretary of Labor. In the late 1980s Reich published a book advocating an oxymoronic "collective entrepreneurship." Ignoring the fact that the *Fortune* 500's share of total U.S. employment had fallen nearly in half over the previous twenty years, with small businesses hiring the bulk of the workers set adrift by corporate downsizing, Reich warned against an economy that encourages "individualistic endeavor." Looking back over the '80s, when the number of black businesses nearly doubled to 620,912, when female entrepreneurs alone ended up employing more people than all of the *Fortune* 500 companies combined,