



## Leadership Report

September  
2010

# AMERICA'S SMALL BUSINESSES CANNOT AFFORD TO GO BACK TO THE POLICIES OF THE LAST DECADE

**Non-public firms lost a crushing  
twenty-percent market share  
during the last decade**

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The U.S. Women's Chamber of Commerce™ unifies the collective strength of women and small businesses to leverage our position as the most influential economic force in America. With over 500,000 members, the USWCC advances economic opportunities for women across America.

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**U.S. Women's Chamber of Commerce**

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September 27, 2010

The U.S. Women's Chamber of Commerce delivers this report to bring clear statistical data to the debate over small business political leadership. The proof of political leadership on behalf of small businesses can best be assessed through an analysis of historical outcomes.

As the 2010 mid-term Congressional elections approach, both Democrats and Republicans are claiming their support of small businesses and that political control of Congress and the White House are vital keys for small business' financial success. Additionally, the recently released, "**A Pledge to America**," crafted by Republican Congressional leaders, vows to undo the work of the 111th Congress. Based on the findings in this report, the 'pledge' would not serve the best interests of America's Main Street small businesses as many of the actions taken by the 111th Congress were done specifically to better level the playing field for small businesses, take back a decade of significant market share loss, and create a more strongly competitive and vital American economy.

Recently released U.S. Census data tells a clear story of leadership failure through the last decade as business growth disparities between large public and smaller non-public firms grew dramatically under the watch of the predominantly Republican controlled Congress and White House. **Remarkably, during the period 1997 – 2007, while the percentage of large public firm gross revenues grew 16%, the percentage of smaller non-public firms gross revenues shrunk 20%.**

The U.S. Women's Chamber of Commerce applauded many of the actions of the 111th Congress as leaders of the House and Senate took strong steps to increase access to capital and market demand, and better level the playing field for small businesses by restoring the funding of the U.S. Small Business Administration, lowering small business lending fees, increasing the flexibility of lending and increasing the amount of lending, passing comprehensive health care reform to finally bring more competitive health care options for small business owners, giving small business owners increased tax credits, appreciation incentives, exclusion from capital gains, and passing comprehensive financial reform – including the Consumer Financial Protection Bureau bringing greater stability and transparency to our financial markets.

**America's Main Street businesses cannot afford to go back to the failed policies of the last decade.**

The U.S. Women's Chamber of Commerce endorses the forward progress of the 111th Congress and calls for political leaders to commit to continue the work needed to level the playing field for America's Main Street businesses. America's small firms are part of the very fabric of our communities and vital to our economic recovery. Don't take us back to the market share lost during the last decade. Drive us forward to a stronger, more profitable future.

Respectfully,



Margot Dorfman, CEO

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# Introduction

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## Assessing Bottom Line Financial Results to Measure Political Leadership Effectiveness for Small Businesses

As the 2010 mid-term congressional elections approach, both Democrats and Republicans claim their support of small businesses and that political control of Congress and the White House are vital keys for small business' financial success. The U.S. Women's Chamber of Commerce agrees, policies and practices have significant impacts on the growth and vitality of America's small businesses, and the bottom line results gage political leadership effectiveness.

During the period 1997 – 2007, while ***the percentage of large public firm gross revenues grew 16%*** (growing from 54.77% total market share to 63.59%), ***the percentage of smaller non-public firms gross revenues shrunk 20%*** (from 45.23% to 36.41%).

**The Bottom Line:** During a full decade with a predominantly Republican controlled Congress, the revenues-based market share of public firms grew significantly, while the market share of smaller firms shrunk significantly.

**Between 1997 and 2007, the revenues-based market share of smaller non-public companies DECLINED over 20% while the market share of larger public-firms GREW 16%.**

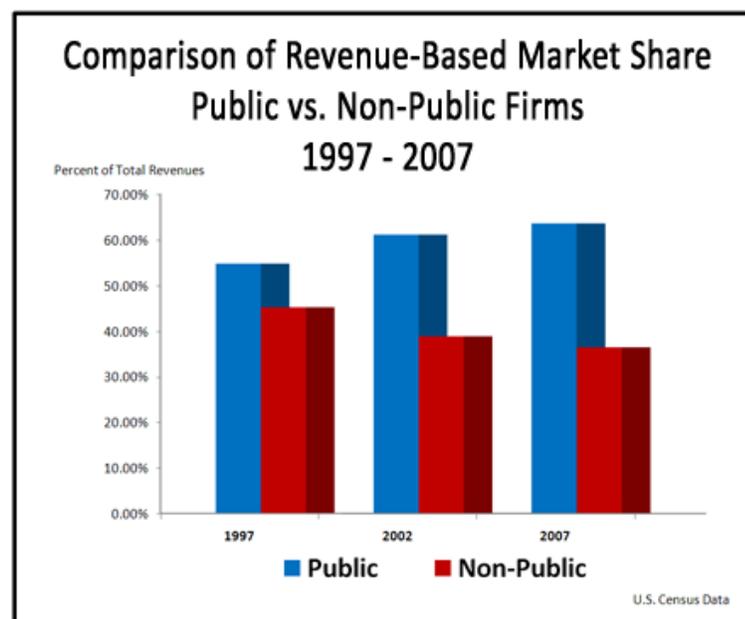
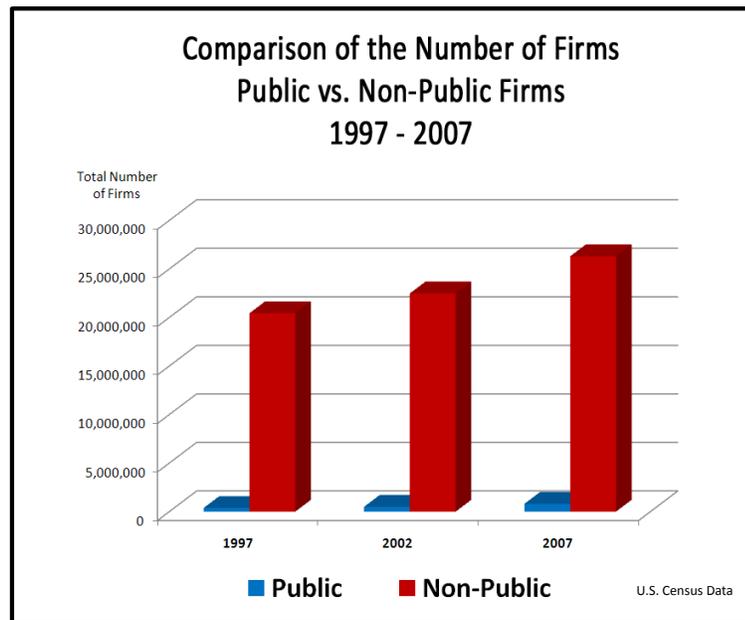
**While smaller non-public firms own 97.03% of all businesses in the U.S., they secure only 36.41% of all revenues (down from 45.23%).**

# Situation Analysis

America's Main Street firms are facing a significantly unbalanced playing field that is heavily skewed in favor of big business profits

Big business market share is growing, while Main Street businesses market share declines

Between 1997 and 2007, the number of non-public firms continued to grow, but the revenues-based market share of the non-public firms declined. Simply put, non-public firms secured less and less of the economic growth.

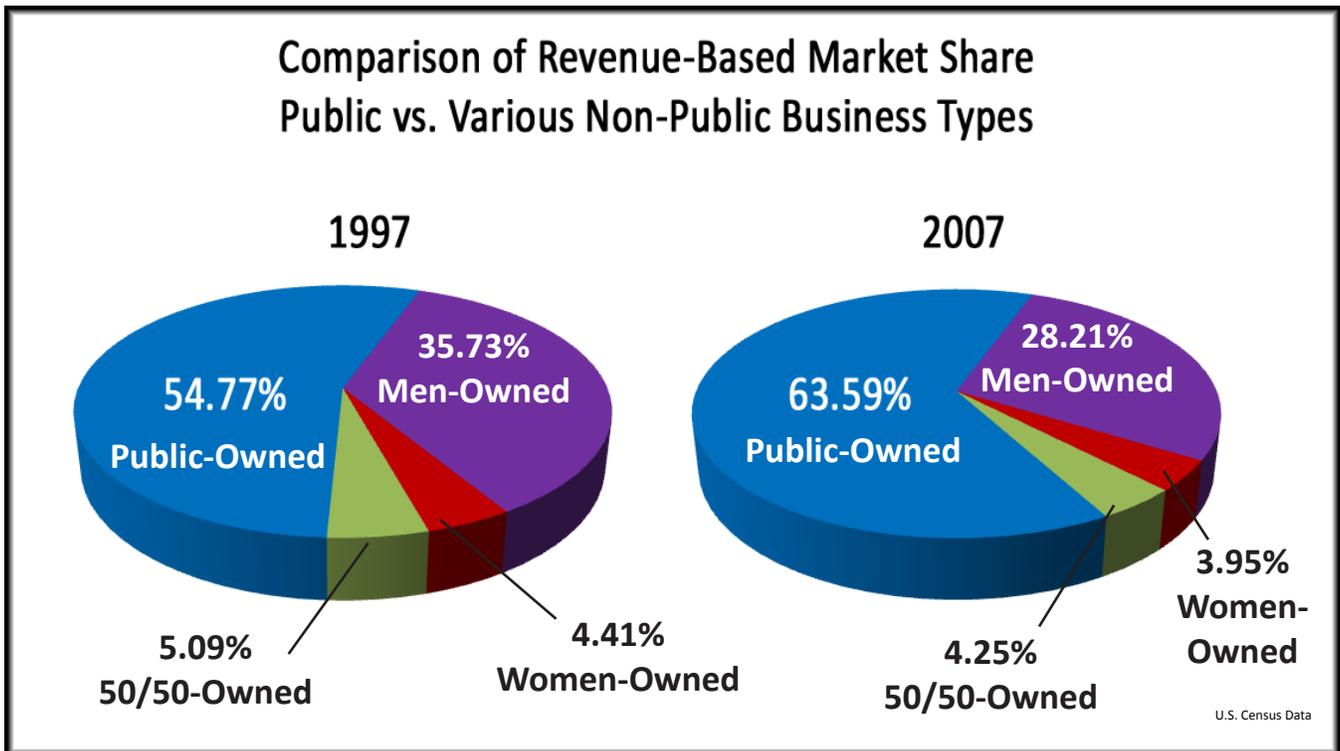


**A significant contraction of market share was experienced by men-owned, women-owned and 50/50-owned firms**

Between 1997 and 2007, publicly held firms dramatically grew market share while other business types lost ground.

The largest growth in market share between 1997 and 2007 was secured by publicly held firms.\* Remarkably, publicly held firms increased market share by sixteen percent of new market share while men-owned, women-owned, and 50/50 man/woman-owned firms all declined.

Between 1997 and 2007, women-owned firms lost 10% of their market share and men-owned firms lost 20% of their market share. During this same time period, publicly-owned firms increased market share by 16%.\*



# Leadership Control 1997 - 2007

Republicans maintained predominant Congressional and Executive Branch control during the last decade

A close review of the control of Congress and the White House during this time frame provides a clear picture – smaller firms lost significant revenues-based market share during a ten-year span under predominantly Republican control of the federal government.

**Between 1997 and 2007, America’s Main Street firms lost significant revenues-based market share resulting in substantial financial opportunity loss to business owners, their employees, communities and families.**

## Political Control of Congress & White House 1997 - 2007

Years	Congress	House Control	Senate Control	White House
1997-1999	105	<b>Republican</b>	<b>Republican</b>	Democrat
1999-2001	106	<b>Republican</b>	<b>Republican</b>	Democrat
2001-2003	107	<b>Republican</b>	Split	<b>Republican</b>
2003-2005	108	<b>Republican</b>	<b>Republican</b>	<b>Republican</b>
2005-2007	109	Democrat	<b>Republican</b>	<b>Republican</b>

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# What Caused Main Street's Decline?

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The decline in Main Street market share grew from policies and practices that heavily skew the business marketplace to favor big business profits

The decline in Main Street market share grew from policies and practices that heavily skewed the business marketplace to favor big business profits. Large and public firms leveraged their overwhelming market dominance and political clout to secure a much more favorable business marketplace than smaller firms.

**Examples of policies and practices heavily favoring big business included:**

- Off-shoring American jobs to cheap labor in other countries
- Avoiding U.S. taxes through off-shore business entities
- Complex legal structures created so as to avoid taxation
- A failed health care system that grossly skewed the cost of health care more favorably to big business
- Greater and less expensive access to capital
- Preferred cost structures for merchant processing
- Federal budget earmarks targeted for influential big businesses
- The failure of the federal government to meet the statutory twenty-three percent floor for small business contracts
- The growth of federal contract bundling and sole-source contracts
- The exclusion of small business federal contracts from overseas spending

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# Lack of Leadership

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## Political leaders did not act to support Main Street businesses

Between 1997 and 2007, while small businesses were experiencing a significant loss of market share, the Republican controlled Congress and White House slashed the funding for the U.S. Small Business Administration (SBA), increased lending fees to small businesses and banks, cut much needed lending programs, and cut the small business support staffs of regional SBA offices.

These actions resulted in a loss of institutional capability and capacity at the SBA leaving the very organization founded to support small business growth weakened and less effective. Additionally, hundreds of business lenders stopped participating in SBA loan programs (due to increased expenses added to the programs) and the fees to small businesses securing loans increased significantly.

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## Women-owned firms faced significant revenue growth challenges

The Bush Administration and the Republican controlled Congress also failed to recognize and support the extreme disparity women-owned firms faced during this decade. Even though the number of women's business grew 44% between 1997 and 2007, our already small revenues-based market share declined over 10% – dropping from 4.41% in 1997 to 3.95% in 2007. The opportunity loss, loss of job creation, loss of market demand, loss of tax revenues, and loss of retirement assets will greatly impact America's financial future.

***Additionally, the Bush Administration, and the Republican controlled Congress failed to implement the Women's Federal Procurement Program.*** This program, which was signed into law in 2000 by President Clinton after a strongly bi-partisan congressional vote, was created to level the playing field for women-owned business suppliers who have consistently been blocked from fair access to federal contracts. But, the Bush Administration sabotaged the implementation of the program.

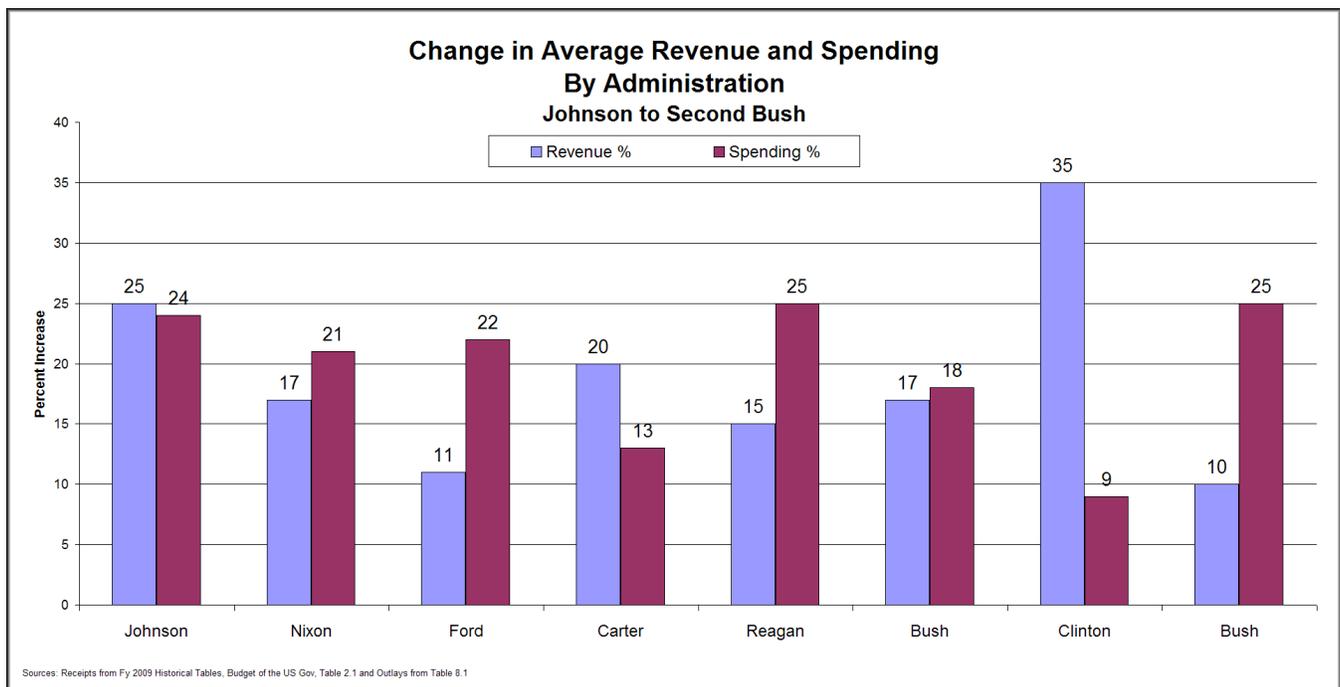
Ultimately, the U.S. Women's Chamber of Commerce filed and won a claim against the SBA for failure to implement the law. Now, under new SBA leadership appointed by President Obama, the program is back on course moving through the required process towards implementation and should be fully in place by the end of this year.

# The Financial Crisis Exacerbated the Problems

A heavily skewed marketplace enabled big business to recover more quickly

After a decade of declining revenues-based market share, our country faced a cataclysmic financial crisis and recession brought on by a confluence of issues and exacerbated by ballooning spending and national debt. This financial crisis was made worse by a decade of increased U.S. debt and a heavily skewed marketplace which enabled big business to recover more quickly than smaller firms.

As America begins to lift out of the worst recession since the “Great Depression” (1929 – 42), our smaller businesses are facing even more disparities. Bigger businesses with greater cash reserves, tax havens, access to off shore workers, access to capital, bail outs and a broader world marketplace to sell their goods and services have bounced back more quickly than smaller firms and are now hoarding cash to guard against future financial stresses. This tightness in the business marketplace coupled with a drop in consumer demand and contraction of business credit and lending have left many smaller businesses struggling.



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# Facing ALL the Challenges

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## The 111th Congress faced both immediate and systemic challenges

When the 111th U.S. Congress began, Congressional and White House leaders faced not only the challenges of a severe recession, but also a marketplace skewed in such misbalance favoring large and public firms that for more than a decade, smaller businesses had been declining in market share. This growing disparity further exacerbated the financial and business challenges faced by smaller firms, their employees and family members during the recession. Clearly, the imbalance in the marketplace is what led to the slowness of the recovery for smaller firms.

The response of the 111th Congress has been focused at both issues: (1) The immediate needs including increasing access to capital, market demand, and business profitability (to pull America out of recession), and (2) correcting systemic problems that have produced an unbalanced playing field that is heavily skewed in favor of big business profits.

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## Leveling the playing field, increasing access to capital and market demand, lowering taxes and overhead, bringing greater transparency

The 111th Congress passed legislation that will incentivize larger businesses to invest and spend (thereby creating business purchasing, jobs and demand in the market place), increase access to capital for smaller firms (enabling businesses to better manage their credit and capital needs and invest in future opportunities), decrease the cost of health care, decrease the cost of merchant processing and bring greater transparency generally to payment processing, lower taxes and business overhead, increase access to federal contracts for more small businesses through diminished bundling practices and greater federal contracting transparency, and increase job creation to put American's back to work and increase consumer demand.

The U.S. Women's Chamber of Commerce commends the 111th Congress for recognizing the growing market pressures small businesses have faced and begun to tackle the gross imbalance in the marketplace that overly favors large and public firms over Main Street American entrepreneurs, their communities, and their families.

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# CONCLUSION: Small Business Cannot Afford to Go Back

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America's Main Street businesses cannot afford to go back to the failed policies of the last decade that left our market share shrinking and business competitiveness declining

A close analysis of recently released U.S. Census data tells a clear story of leadership failure throughout the last decade as business growth disparities between large public and smaller non-public firms grew dramatically under the leadership watch of the Republican controlled Congress and White House causing a significant contraction in smaller, non-public firm market share.

The growing marketplace disparities further exacerbated the financial and business challenges faced by smaller firms, their employees and family members during the recession and continue to damage smaller firms as evidenced by the slowness of their recovery from the economic downturn.

The U.S. Women's Chamber of Commerce commends the Democratic-controlled 111th Congress for focusing on both issues: (1) The immediate needs including increasing access to capital, market demand, and business profitability (to pull America out of recession), and (2) correcting systemic problems that have produced an unbalanced playing field that is heavily skewed in favor of big business profits.

During the last two years, while Republican leadership sought to bring the work of Congress to a standstill, Democratic leaders worked to solve problems, restore our economy, increase access to capital and market demand, and level the playing field for smaller firms. The U.S. Women's Chamber of Commerce endorses the forward progress of the 111th Congress and calls for political leaders to commit to continue the work needed to level the playing field for America's Main Street businesses.

America's small firms are part of the very fabric of our communities and vital to our economic recovery. Our businesses, employees, families and communities cannot afford to go back to the practices and policies that resulted in a decade of market share loss. We need leadership that will drive us forward to a stronger, more profitable future. Restoring competitive balance to the marketplace, increasing market demand and access to capital, providing incentives for business investments in capital and equipment, decreasing taxes, fees and overhead – this is the work started by the 111th Congress that will bring a brighter economic future to American Main Street businesses, their communities, and families.

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# Appendix

## Sources

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All market share data taken from U.S Census, American Factfinder. Links to data are numerous. However, the core data is available through this URL - [www.census.gov/econ/](http://www.census.gov/econ/).

## Data

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The following is a compilation of the data used to determine market share of Public vs. Non-Public Firms.

### **PUBLIC FIRMS**

<b>Year</b>	<b>Number of Firms</b>	<b>Percent of Firms</b>	<b>Revenues (in \$1,000)</b>	<b>Percent of Revenues</b>
1997	382,000	1.83%	\$10,161,242,000	54.77%
2002	494,399	2.15%	\$13,820,117,758	61.14%
2007	803,990	2.97%	\$19,193,455,920	63.59%

### **NON-PUBLIC FIRMS**

<b>Year</b>	<b>Number of Firms</b>	<b>Percent of Firms</b>	<b>Revenues (in \$1,000)</b>	<b>Percent of Revenues</b>
1997	20,440,000	98.17%	\$8,392,001,000	45.23%
2002	22,480,256	97.85%	\$8,783,541,146	38.86%
2007	26,306,372	97.03%	\$10,988,004,869	36.41%

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