



Women-Owned Small Businesses in Federal Procurement: Building Momentum, Reaping Rewards A Research Summary for the American Express OPEN for Government Contracts Program

While overall federal contract spending has declined in recent years, it has risen moderately for women-owned small businesses. Federal government contract spending amounted to \$517 billion in fiscal year (FY) 2012, which is down \$35 billion (6%) since FY2009.¹ In FY2012, contract spending with women-owned small businesses (WOSB) amounted to \$16.2 billion, 4% of the total small business-eligible spending. While less than the government's 5% goal for WOSB, contract share and value are both up from FY2009, when spending with WOSBs amounted to \$15.7 billion, or 3.5% of total small business-eligible contract spending. The WOSB Procurement Program was established in 2011 – has this program begun to have an impact, and could it have moderated the impact of tightening budgets on WOSB contracts? And, more generally, how are women business owners faring compared to their male peers in terms of procurement activity and success?

These important questions are the focus of this report, the second of four summaries to be published from the third survey conducted among active small business contractors for the American Express OPEN for Government Contracts program.² This report focuses specifically on trends in federal contracting among women-owned small businesses. The first report summarized overall trends in key trends with respect to small firm bidding and contracting activity, and contracting success rates. The two remaining reports will cover trends in federal procurement among minority-owned firms, and what lessons can be shared from firms that focus on subcontracting and teaming as a procurement strategy.

Quick Facts

- **Active women-owned small business contractors are every bit as accomplished in terms of firm revenue and employment as are their male colleagues. And, although they have been active in federal procurement for a shorter period of time, they are nearly as successful in terms of lifetime contract achievement.**
- **The average investment made by small businesses in seeking federal contracts has risen dramatically over the past three years, with a greater than average increase seen among women-owned firms (up 59% compared to a 49% increase among all small contractors). And, while women invest less time and money seeking federal contracts, their prime and sub-contracting bidding activity and success rates match the average for all active small firm contractors.**
- **The WOSB Procurement Program is starting to have an impact. Two years ago, just over one-third (37%) of women business owners who had self-certified as a woman-owned small business (WOSB) found that designation to be useful in seeking contracting opportunities. Now, as of 2013, a 67% majority of WOSBs find the designation useful, including 28% who find it very or extremely useful.**

¹ See usaspending.gov (click on spending trends, then list view) and smallbusiness.data.gov (choose the desired fiscal year on the home screen) for additional information. Data as of August 2013.

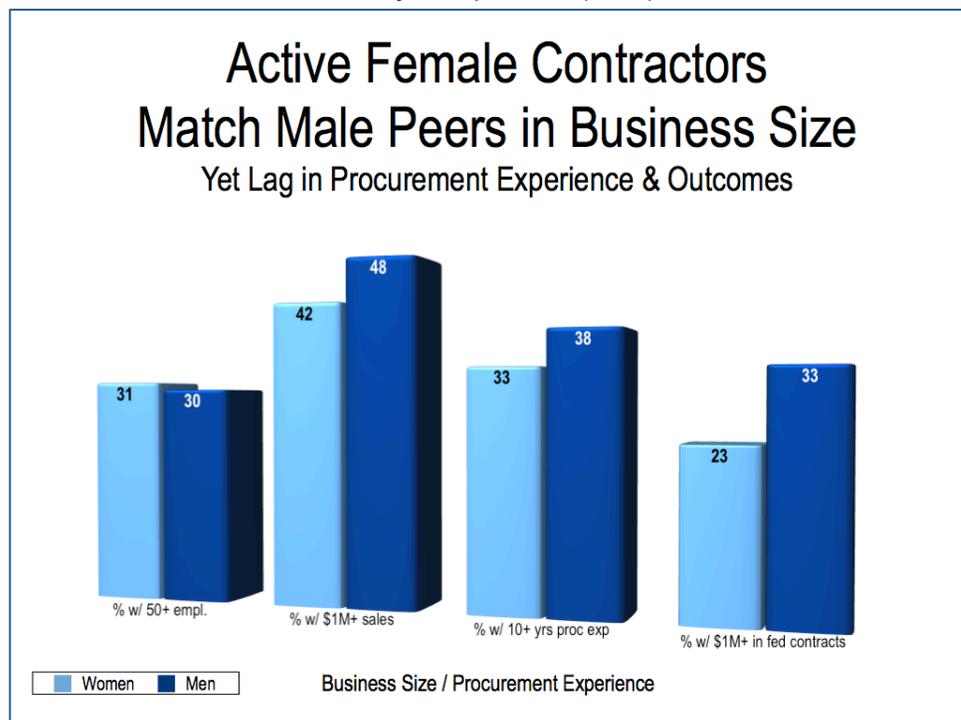
² See Methodology Note and program description at the end of this report for additional details.

Key Findings

Active female federal contractors own firms that are every bit as economically robust in terms of firm revenues and employment as those owned by their male peers. They have been in the federal procurement marketplace for a shorter period of time, however, so they do not yet match their male peers in the combined value of all of their federal contract activity. But, as they took a bit less time and submitted fewer proposals before notching their first contract win, they are not far behind.

- Among small businesses that are active in federal contracting, those owned by women are every bit as economically robust as those owned by their male counterparts. In terms of employment, 46% of all active small business contractors employ fewer than 10 workers (including 15% who do not employ anyone in addition to the owner), 24% employ between 10 and 49 workers, and 30% have 50 or more employees. The employment profile of women-owned and men-owned firms is virtually identical, with 31% of women and 30% of men employing 50 or more workers in their firms.
- With respect to the revenue size of the firm, 33% of small firm contractors generate less than \$250,000 in annual revenues, 21% garner between \$250,000 and \$999,999, and fully 45% generate \$1 million or more in sales – including 22% with from \$1 to \$4.9 million and 23% with \$5 million or more. Forty-two percent (42%) of active women-

owned contractors generate \$1 million or more in revenues, with 22% generating from \$1 to \$4.9 million and 20% generating \$5 million or more. Men-owned contractors are slightly larger in terms of revenue accomplishment:



48% have \$1 million or more in sales, including 23% with from \$1 to \$4.9 million and 25% with \$5 million or more.

- Among small businesses currently active in federal contracting (as defined as having performed on a federal contract within the past five years), one-quarter (23%) have been seeking federal contracts for three years or less, 41% for between four and nine years, and 36% for 10 years or more. On average, active small business contractors have been

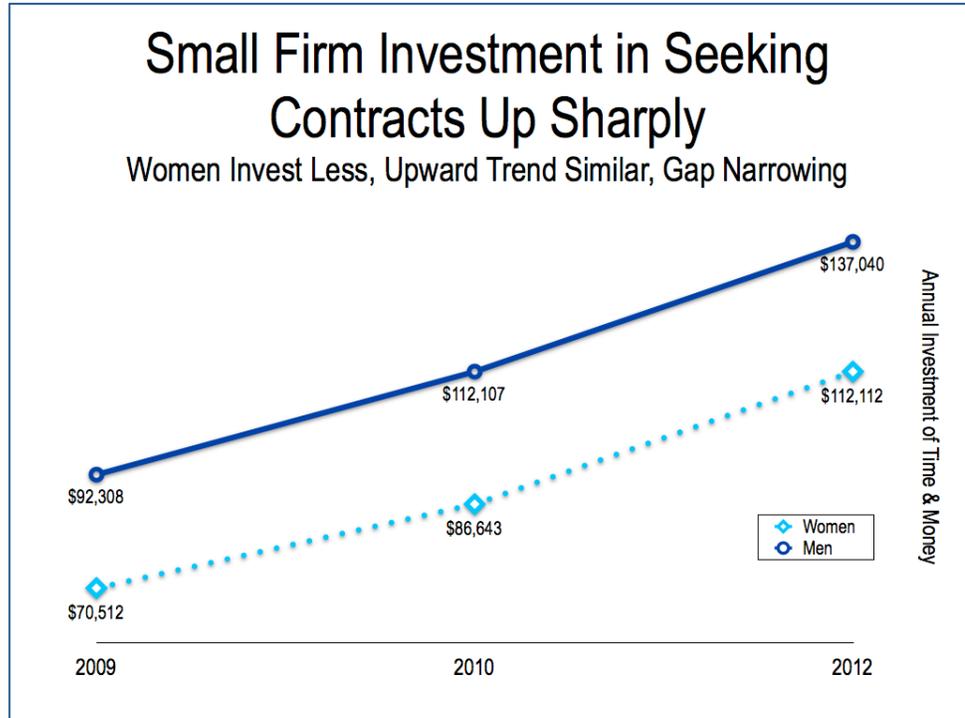
in the federal procurement marketplace for 9.2 years. Female contractors are newer to the marketplace, having been seeking federal procurement opportunities for an average of 8.2 years, compared to a 9.7-year average among their male peers. Thirty-three percent (33%) of women-owned active contractors have been seeking contracts for a decade or more, compared to 38% among men-owned firms.

- As such, though their gains are impressive, active women-owned contractors have not yet tallied quite the same value in lifetime procurement awards as have their male counterparts. One-third (31%) of active small-business contractors have received less than \$100,000 in total contract awards since landing their first federal government contract, 40% have won between \$100,000 and \$999,999 in federal contracts, and 30% have won \$1 million or more – including 20 with from \$1 to \$9.9 million and 10% with \$10 million or more in lifetime federal contract victories. Women-owned active contractors are not far behind, with 23% bringing home \$1 million or more in contracts – comprised of 17% with \$1 to \$9.9 million and 6% with \$10 million or more. Among men-owned contractors – with nearly two more years, on average, in the procurement marketplace – one-third (33%) have bagged \$1 million or more in federal contracts, including 22% with \$1 to \$9.9 million and 11% with \$10 million or more.
- One reason why women-owned firms are not far behind their male counterparts with respect to the value of all of their collective federal contracts, despite being active in the marketplace for a shorter period of time, may well be due to the fact that it took women-owned firms less time to notch their first federal contract win. On average, it takes a small business new to the federal procurement marketplace about two years (24 months) and 4.7 unsuccessful bids before winning that all-important first contract. It took women business owners 20 months and 4.3 unsuccessful bids to land their first contract, while it took men 25 months and 5.0 unsuccessful bids before notching their first procurement victory.

While women business owners invest less time and money than their male counterparts in the pursuit of federal contracts, their success rates currently exceed the average among all active small business contractors. Furthermore, the investment that small firms are making in pursuit of federal contracts has grown substantially over the past four years – even more so among women-owned firms.

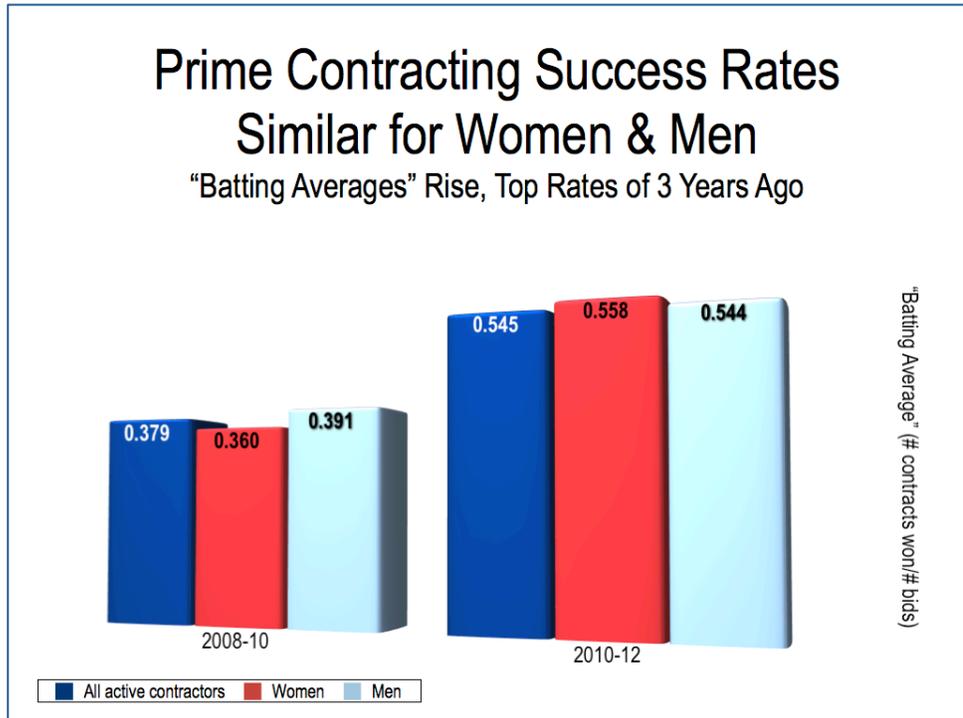
- In the first report in this series, the sharp drop in bidding activity among all active small business contractors was noted. During the 2007-2009 period, small firms made an average 19.5 prime contract bids and participated in an average 7.9 proposals as a subcontractor. Bidding activity has dropped to 5.5 prime bids and 3.6 subcontract bids over the 2010-2012 period. The decline in bidding activity has occurred among both women- and men-owned firms in equal measure: women have made an average of 5.2 prime and 3.3 subcontract bids over the past three years, while men have submitted 5.7 and 3.7 bids, respectively.
- In each of the three American Express OPEN for Government Contracts surveys, women-owned firms have been found to invest less time and money researching opportunities and submitting proposals for federal contracts. In 2012, women-owned firms spent \$112,112 pursuing federal contracts, compared to the \$137,040 investment made by men-owned firms. The reason for this disparity may be due to differences in industry distribution, years of contracting experience, or perhaps even bidding efficiency.

However, while the investment made by women-owned firms is 81% of that made by men-owned firms, the gender procurement investment gap is narrowing. Back in 2009, women's investment was 76% of the investment made



by men. Most importantly, however, the investment that small contractors are making to seek procurement opportunities is up sharply over the past three years, and is up even more sharply among women-owned firms. Over the past three years, the small firm investment made in seeking federal contracts has risen by 49%, while it is up 59% among women-owned firms and 49% among men-owned firms.

- While women and men business owners are spending more time and money seeking federal procurement opportunities, and submitting significantly fewer bids, they are bidding smarter because their "batting averages" (the number of hits or wins compared to at bats or bids) have improved.



Overall, active small business contractors submitted 5.5 bids during the 2010-2012 time period and performed on 3.0 prime contracts – for a batting average of .545 (54.5%). The prime contracting batting average for women-owned firms was .558 during the same period, and was a similar .544 among men-owned firms. With respect to subcontracting, small businesses active in federal contracting participated in 3.6 bids as a subcontractor during 2010 to 2012, and participated on 3.1 projects as a subcontractor, for a .861 batting average. Women-owned firms had a 1.00 batting average, while men-owned firms notched an .811 average.³

- For the first time, respondents were asked how many contracts they are actively performing on at the present time. For one-quarter (26%) of active contractors (again meaning that they have performed on a contract at some point in the past five years), the answer is “zero” – meaning that they are currently between contracts. Another one-quarter (27%) are performing on just one contract, 15% have two contracts going at once, and fully 32% are currently performing on three or more contracts. On average, small business contractors are juggling 2.5 contracts at once, with no difference at all seen between women- and men-owned firms.

Women business owners are more likely than average to have a special procurement designation or certification for their business – including being self-certified as a woman-owned small business (WOSB). While that certification was previously considered to be not very useful in increasing contracting success, WOSB-certified owners’ opinion of the program has improved significantly since its establishment in 2011. The program is beginning to have an impact.

- As in previous surveys, a higher share of women business owners has obtained one or more designations or certifications for their business than have their male counterparts. Overall, 73% of active small business contractors have at least one of ten designations or certifications. Fully 79% of women business owners have at least one, while a lower 70% of men business owners have obtained at least one. The most likely certification is getting on the GSA schedule, which 27% of businesses (23% of women, 29% of men) have done. Another 24% have self-certified as a woman-owned small business,⁴ 21% have certified as a minority-owned business, and 19% are veteran-owned businesses.
- In the wake of the implementation of a law passed in the last days of the Clinton Administration (but not implemented until the early days of the Obama Administration – much to the consternation of the women business owner community in the intervening years), the U.S. Small Business Administration established a Women-Owned Small Business (WOSB) Procurement Program in February 2011. This program is designed to provide information and improved access to procurement opportunities for WOSBs now that agency procurement officials can target specific procurement opportunities to WOSBs in particular.

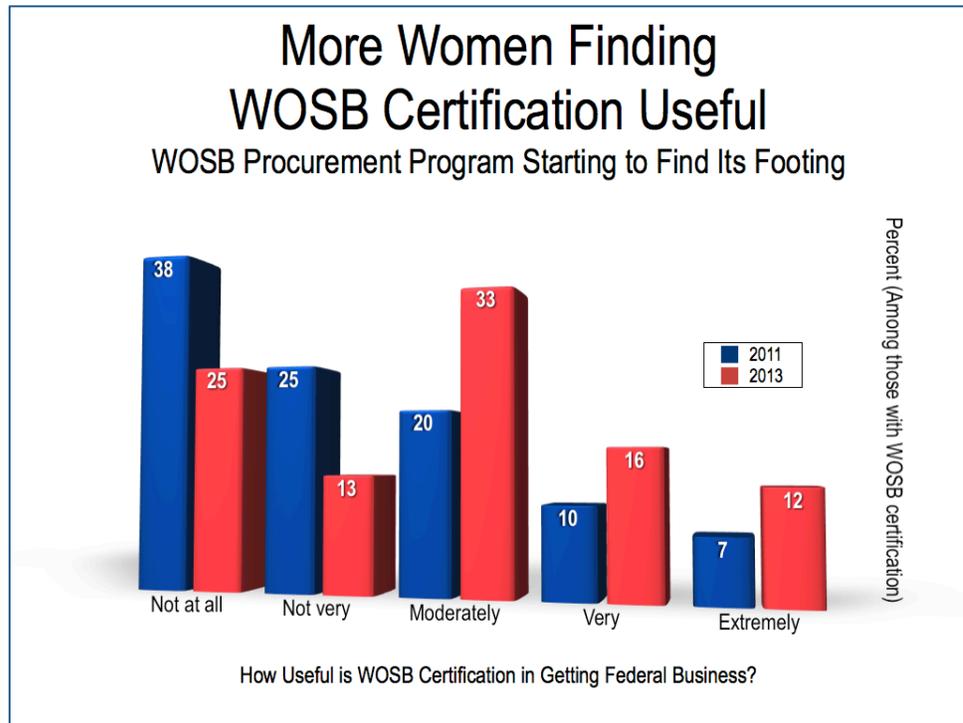
In the second American Express OPEN for Government Contracts survey, fielded in late 2011 just as the program was getting underway, few women business owners who were certified as WOSBs had a positive evaluation of the impact of that certification on their contracting success. At the time, nearly two-thirds (63%) of WOSB-certified business

³ The number of contracts performed on during the period does not necessarily match the contracts bid on a contract-by-contract basis, as multi-year contracts may have been bid on during an earlier time period.

⁴ Interestingly, only 53% of women business owners have self-certified as a woman-owned small business – either because they are not a 51%+ majority-owned woman-owned business, or because they have not taken the time to do so.

owners said that the certification was not very or not at all useful in getting federal contracts. Another 20% said it was only moderately useful; just 17% said it had been very or extremely useful.

- Now, just 16 months later, opinion of the usefulness of the certification has improved significantly. At the present time, a 61% majority finds the certification useful, with 28% finding the certification very or



extremely useful. Just 38% say that the certification is not very or not at all useful – a similar share as the 37% who found the certification to be useful just two years ago. This is a remarkable turnaround in opinion in such a short time. It certainly appears as though the WOSB Procurement Program is starting to find its footing. Recent changes in federal procurement policy – which removed the caps on the value of contracts that may be awarded under the WOSB program – may improve procurement opportunities for women-owned businesses, increase utilization of the WOSB certification and boost opinions of its usefulness even further than before.

- So, to return to the questions posed at the outset of this report – how are women-owned firms matching up against their male peers in terms of procurement activity and success, and has the WOSB procurement program begun to see an impact – we would answer:
 - Women-owned businesses are standing toe-to-toe with their male-owned peers in terms of bidding activity, procurement success, and positive economic outcomes from federal contracting activity; and
 - Yes, even though it is still early days with respect to the WOSB Procurement Program, it does appear to have turned a corner in terms of public perception among certified firms. It remains to be seen, though, whether the program can reap economic rewards for certified firms in terms of more, and larger, contracts. An analysis of the economic returns attributable to the program will be years in the making, but initial signs are positive.

Methodology Note

A total of 684 small business owners responded to an online survey fielded in February and March of 2013. The survey population is randomly drawn and representative of small businesses that are active federal contractors, defined as small businesses that are either currently performing on a federal contract as a prime contractor or subcontractor, or that have performed on a federal contract within the past five years. These business owners are a specialized population: they own small businesses that are contained in the Federal Procurement Data System (FPDS) and are registered on the System for Award Management (SAM) database.

Small businesses, as defined in this survey and report, are derived from the federal government's size standards: procurement-focused definitions of "small," which vary by industry (either by revenue or employment) and are defined by the [US Small Business Administration](#). In this environment, a small firm can employ more than 500 people and generate more than \$1 million in revenue, because their baseline of comparison (and competitors) in a given industry may be very large, publicly-traded corporations.

The survey is thus representative of all active small business contractors in the federal procurement system, but is not nationally representative of all small businesses. The sampling error for a survey of this size (N=684) is +/- 3.5%, and is higher when analyzing sub-populations (for example, +/- 6.9% when examining findings among women-owned firms). This means that, 95 times out of 100, the survey findings will be within those ranges of true population values.

About American Express OPEN

American Express OPEN is the leading payment card issuer for small businesses in the United States and supports business owners with products and services to help them run and grow their businesses. This includes business charge and credit cards that deliver purchasing power, flexibility, rewards, and savings on business services from an expanded lineup of partners and online tools and services designed to help improve profitability. Learn more at www.OPEN.com and connect with us at openforum.com and twitter.com/openforum.

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The American Express OPEN for Government Contracts program helps small business owners get the insight and experience they need to win government contracts. The program provides business owners with invaluable information on connections with procurement officials, forming teaming relationships with other small businesses, coaching and mentoring opportunities, procurement events, and online training and other resources. Their interactive web site, www.openforum.com/governmentcontracting, provides step-by-step access to hands-on training and education resources, in-depth guides, case studies and checklists to assist in the various steps of the contracting process.

Summary Tables

Active female federal contractors own firms that are every bit as economically robust as those owned by their male peers. They have been in the federal procurement marketplace for a shorter period of time, however, so they do not yet match their male peers in the combined value of all of their federal contract activity. But, as they took a bit less time and submitted fewer proposals before notching their first contract win, they are not far behind.

<i>Business/Procurement Achievement</i>	All Active Contractors	Women	Men
<u>Employment Size of Firm</u>			
Less than 10 employees	46	47	45
10-49 employees	24	22	25
50+ employees	30	31	30
<u>Revenue Size of Firm</u>			
<\$250,000	33	36	31
\$250,000-\$999,999	21	23	21
\$1-4.9 million	22	22	23
\$5 million+	23	20	25
<u>Number of Years in Federal Procurement</u>			
Three years or less	23	27	21
4 to 9 years	41	40	42
10+ years in federal contracting	36	33	38
Average number of years	9.2	8.2	9.7
<u>Approximate Value of All Federal Contracts, Lifetime</u>			
Under \$100,000	31	36	28
\$100-999K	40	41	39
\$1-9.9M	20	17	22
\$10M+	10	6	11
<i>How long did it take you, from the time you first registered on the CCR and started pursuing federal contracts, to win your very first contract? / Approximately how many proposals did you submit before you won your first contract?</i>			
Average number of years	2.0	1.7	2.1
Average number of months	24	20	25
Average number of proposals	4.7	4.3	5.0

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<i>How much would you say that your business has invested, including all cash outlays and salaries for person-hours, in pursuing federal contracting opportunities in (2009/2010/2012)?</i>	All Active Contractors	Women	Men
2012	\$128,628	\$112,112	\$137,040
2010	103,827	86,643	112,107
2009	86,124	70,512	92,308
Percent change, 2009-2012	+49.4%	+59.0%	+48.5%
<i>Over the past three years, how many times have you ...</i>			
<u>Submitted a bid for a prime federal contract</u>			
2010-12	5.5	5.2	5.7
2008-10	10.3	8.6	11.0
2007-09	19.5	19.0	19.7
<u>Won a prime federal contract</u>			
2010-12	3.0	2.9	3.1
2008-10	3.9	3.1	4.3
2007-09	8.0	8.2	7.9
<u>Participated in a bid as a subcontractor for a federal contract</u>			
2010-12	3.6	3.3	3.7
2008-10	4.1	4.8	3.7
2007-09	7.9	6.9	8.2
<u>Contributed products or services as a subcontractor</u>			
2010-12	3.1	3.3	3.0
2008-10	2.7	3.1	2.5
2007-09	7.1	6.8	7.1
<u>“Batting average” for prime contracting</u>			
2010-12	.545	.558	.544
2008-10	.379	.360	.391
2007-09	.410	.432	.401
<u>“Batting average” for subcontracting</u>			
2010-12	.861	1.00	.811
2008-10	.659	.646	.676
2007-09	.899	.986	.866
<i>How many federal contracts are you performing on at the present time, either as a prime contractor, subcontractor, or member of a teaming arrangement?</i>			
None	26	26	26
One	27	29	25
Two	15	16	15
Three or more	32	29	34
Average number of contracts	2.5	2.5	2.5
<i>How does that number compare with your level of contracting five years ago?</i>			
Higher	32	32	32
About the same	24	18	27
Lower	20	23	19
I'm relatively new to federal contracting, so I didn't have any contracts five years ago	24	27	22

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<i>Does your business have any of the following designations or certifications?</i>	All Active Contractors	Women	Men
Has 1 or more designations/certifications	73	79	70
On the GSA schedule	27	23	29
Woman-owned business	24	53	10
Minority-owned business	21	22	21
Veteran-owned business	19	11	23
Any state government agency certification	16	17	16
SDB/DBE (small disadvantaged business/disadvantaged business enterprise)	15	17	13
Any local government specific certification	11	10	11
Service-disabled veteran-owned business	10	8	11
8(a) certified business	10	8	11
HUB zone business	8	8	8
Number of Cases	(684)	(231)	(453)
<i>(If has a WOSB designation:) How useful has the WOSB designation been for you in getting federal business?</i>	WOSB-Certified		
	2013	2011	
Extremely useful		12	7
Very useful		16	10
Moderately useful		33	20
Not very useful		13	25
Not at all useful		25	38
% Very/extremely useful		28	17
% Not very/not at all useful		38	63
Number of Cases		(121)	(163)