



The Greatest Barriers for Women of Color Business Owners

Between 2007 and 2018 in the United States, the number of women-owned firms grew by 58%.¹ During this same timeframe, businesses owned by women of color grew much more quickly and reached a 163% increase. As of 2018 reporting, 47% of all women-owned businesses are owned by women of color and these women employ more than 2.2 million people.² Today, companies led by women entrepreneurs of color clearly have a strong foothold. Although this is great news, much of this growth is due to economic necessity.

Reasons for this increase

One reason that the number of minority women entrepreneurs jumped so greatly between 2007 and 2012 is the Great Recession. In the midst of such a significant downturn, women of color were more likely to be laid off and had more difficulty finding jobs than Caucasian women. Additionally, the average pay gap between men and women is higher for a woman of color—according to a report from the National Partnership for Women & Families,³ women in the U.S. who hold full-time, year-round jobs are typically paid 80 cents for every dollar a man earns. But the number decreases when divided by race. Black women, according to U.S. Census data, take home just 61 cents for every dollar a white male earns, Native American women 58 cents, and Latina women 53 cents. Asian American women, the exception, take home 85 cents for every dollar a man earns. Many therefore chose entrepreneurship or self-employment out of necessity, as a means of creating jobs and generating income for themselves.

Key takeaways



47% of the businesses founded by women have been by women of color.²



Businesses owned by women of color typically grow at slower rates compared to their white female counterparts.



To overcome funding barriers, women of color should tap into local and national resources for business networking, development, and funding opportunities.



Increasing education and relevant work experience are also factors that are contributing to this increase in the number of women entrepreneurs of color, as this typically leads to greater exposure and more opportunities. The impact appears to be so large on a percentage basis primarily due to the lack of such businesses in the first place.⁴ Today, more and more corporate companies are implementing supplier diversity initiatives⁵ to highlight the benefits of working with women- and minority-owned businesses. In fact, Key has spent more than \$1 billion with diverse suppliers since 2001.

Barriers female entrepreneurs of color face

The businesses started by these women are typically much smaller and grow at a slower pace. These firms average \$66,400 in annual revenue versus \$212,300 in annual revenue for all women-owned firms.² This initially makes sense, as the original objective is often to drive a livable wage as a self-employed individual. However, as these firms seek growth, other reasons become drivers. For example, difficulty in securing funding is one of the major reasons that companies experience slow growth or fail. In 2017, women entrepreneurs set a record of 4.4% of all venture capital deals, which is the largest

percentage of deals since 2006. In terms of dollars, all-women teams received only \$1.9 billion of the \$85 billion invested by venture capitalists in 2017.⁶ Hence, for a woman of color, the funding issue is exacerbated by race and gender biases.

Women of color business owners often encounter development issues once their company has started, leading to businesses that are smaller in size than other women-owned organizations. And because men hold higher leadership positions in traditional fields such as construction, manufacturing, and management consulting, many startup networks are often run or heavily centered on men and their businesses. The lack of women entrepreneurs to network with can lead to smaller and fewer contracts, impacting the early and long-term growth potential for these businesses.

Actions to take to overcome these barriers

Women can take specific actions to overcome these barriers and drive their destinies. They should purposefully seek out and network with other women business owners. It's also helpful to use LinkedIn and Twitter to both increase their awareness about related developments and opportunities, and then to reach out to those involved.

Women can also increase their visibility and personal leadership profiles by joining nonprofit, municipal, or county agency boards. Programs like the United Way VIP program help prepare women for these board positions. Female entrepreneurs of color can participate in business plans or funding contests either as a contestant or as a judge as another means of raising their profiles.

Businesses started by a woman of color may have largely been born out of necessity and may encounter many barriers, but the opportunities for growth are generally much greater for them as owners than as employees. Taking actions like those specified above and aligning with individuals with similar goals and objectives will help women entrepreneurs of color continue to have an increasing impact on the U.S. economy and their lives.

Steps to consider

- Network with other women business owners, particularly women of color, to learn about their journeys and how they overcame barriers.
- Leverage local and national resources that support the development and growth of minority run and women-owned businesses.
- Work with businesses owned and run by women to support one another and increase your professional profile among your peers.

The support you need

For more Key4Women resources to help you reach your goals, **visit key.com/women or [email](#) us to learn more.**

Would you like to weigh in on future topics? Please take our [survey](#).



¹ "Behind the Numbers: The State of Women-Owned Businesses in 2018," WBENC, October 10, 2018, <https://www.wbenc.org/blog-posts/2018/10/10/behind-the-numbers-the-state-of-women-owned-businesses-in-2018>

² "The 2018 State of Women-Owned Businesses Report," American Express, 2019, https://about.americanexpress.com/files/doc_library/file/2018-state-of-women-owned-businesses-report.pdf

³ "Progress Together, 2018 Annual Report," National Partnership for Women & Families, 2019, <http://www.nationalpartnership.org/our-work/resources/development/annual-report.pdf>

⁴ Chan, Rosalie, "Why More Women of Color Than Ever Are Starting Their Own Businesses," Time.com, August 10, 2016, <http://time.com/4408900/latina-women-business-owner-entrepreneur/>

⁵ Suarez, John, "What Is Supplier Diversity and Why Is It Important," CVM, January 9, 2019, <https://blog.cvm-solutions.com/what-is-supplier-diversity>

⁶ Valentina Zarya, "Female Founders Got 2% of Venture Capital Dollars in 2017," Fortune.com, January 31, 2018, <http://fortune.com/2018/01/31/female-founders-venture-capital-2017>

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