



July 23, 2007

**Official House Small Committee Field Hearing on
“Challenges Facing Women Small Business Owners”**

Statement of Business Owner

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Chairwoman Velásquez, Vice Chairman Sestak, and Members of the Committee, thank you for addressing such an important issue.

CLEAR ALIGN

My name is Angelique X. Irvin. I graduated with honors with a ceramic engineering degree from Alfred University and was the first women to win the National Engineering Award from the American Ceramic Society. I spent my 20-year career at HP, AT&T Bell Laboratories, NEC and two small businesses inventing, developing and commercializing new optical technologies. I was awarded an MBA from the Wharton School of Business, where I serve as an entrepreneur in residence. I have spent the last 7 years as an entrepreneur.

My company, Clear Align, is an innovative optical technology company serving the defense industry that was built on an initial \$50,000 investment in 2003. Since 2003, we have grown 654% to serve an impressive array of customers including Honeywell, L3 Communications, Lockheed, Northrop Grumman and Raytheon.

SMALL BUSINESS DRIVES U.S. ECONOMY

As you know, small businesses produce greater than \$6 trillion of the U.S. GDP,ⁱ and 97% of all U.S. exporters of goods are small businesses.ⁱⁱ When you consider that 60% to 80% of the net new jobs annually are provided by small businesses, it becomes apparent how critical small businesses are to the U.S. economy.

SMALL BUSINESS DRIVES U.S. INNOVATION

As important to our economy is the innovation these small enterprises develop. Small businesses produce **13 to 14 times more U.S. patents per employee than large firms.**ⁱⁱⁱ A majority of the true innovation in this country has taken place within small businesses.

WOMEN OWNED BUSINESSES ARE THE FASTEST GROWING SECTOR

Between 1997 and 2002, women-owned firms grew by 19.8 percent while all U.S. firms grew by seven percent.^{iv} Women own 10.6 million businesses that account for over \$2.5 trillion in sales and employ over 19 million U.S. workers — that's one in every seven employees^v.

Women who run technology businesses are most challenged by poor capitalization and a market that does not recognize the accomplishments of the modern female business leader. The majority of women launch their businesses on \$10,000 to \$50,000 from friends, family or individual investors.

Top Sources of Capital for Women-Run Firms^{vi}

Sources of capital

- 73% informal investors (friends and family)
- 73% individual investors (angel investors)
- 25% corporate investors
- 15% venture capital

SMALL BUSINESS SAVES OUR NATION MONEY

I am continually reminded that small business can deliver innovation and products faster and at a fraction of the cost of big businesses. This is a result of the nimble and cost-sensitive nature of small enterprises. Small government contractors typically have overhead that is a third that of large prime contractors according to officials at DCAA.

During this war on terrorism, the pace of technology development needed to fight an ever increasingly complex world cannot be maintained by large business. The Department of Defense and prime contractors rely on small enterprises to invent and commercialize the new technology that defends and grows our nation.

The most disturbing trend in our nation today is the reduced spending on research and development. In the 1980's, 50% of early research and development was partially funded by the U.S. government. Today this is down by half. In the 1980's, each major corporation had a research and development lab that was its crown jewel. Today, almost none of these labs prosper. To compound this trend, 5% of our nation's graduates are engineers or scientists compared to 35-40% in India and China. **We are the only nation cutting our R&D spending; all other key nations have been increasing their R&D spending.**

As a result of these two trends, most of today's innovation is occurring offshore leaving our country and our companies highly vulnerable. **Congress can change this by increasing funding for small business research grants and creating and defending an atmosphere that protects the intellectual property of small firms.**

DEFENSE INDUSTRY NEEDS SMALL BUSINESS MORE, YET HAS REDUCED SUBCONTRACT SPENDING

Sadly, big business and the Department of Defense require incentives to use small businesses. But the goals for small business subcontracting have been reduced by 20% since 2004 at a time small business subcontracting goals need to be on the rise.

While 26% of businesses are run by women, in FY 2005, only 3.3% of federal contracts were awarded to women-owned businesses. This is a testament to the challenges women still face. We strongly support the House bill (H.R. 1873) authored by this Committee and the Small Business Fairness in Contracting Act, which raises the overall small business goal from 23 percent to 30 percent and raises the women-owned goal from 5 percent to 8 percent.

As you know not all prime contractors adhere to the ethics of paying subcontractors in a timely manner. Small businesses have little power to change this dynamic. We strongly encourage your committee to require prime contractors to pay small businesses within 30-45 days of invoice in order to receive credit for their subcontracting goals and create accountability.

HOW TO FOSTER WOMEN-RUN BUSINESSES

In addition to increasing federal contracting goals for women-owned businesses, we must reduce the cost of running such businesses and increase availability of capital. **Health-care costs are clearly the largest controllable expense and create the greatest burden to small enterprises.**

Investment of Women-Run Businesses⁵

Salaries and Benefits Expenditures

Salaries	\$492 billion
Health Insurance.....	\$38 billion
Retirement/Savings Plans	\$14 billion
Life Insurance	\$1 billion
Disability Insurance	\$1 billion
Total	\$546 billion

While 26 percent of all businesses are owned outright or majority-owned by women, only 6 percent of the venture capital money distributed has gone to women-owned firms.^{vii} Women with strong business plans, technology and business acumen need access to affordable capital. For this reason, I commend the H.R. 2803 Bill to establish the Angel Investment Program. But, it is equally critical to ensure incentives for banks to provide debt to both women and minorities.

SUMMARY

It is small independent businesses, often run by women and minorities, which will drive the innovation and economy of our nation. These businesses are underfinanced and burdened by increased health-care costs and reduced national spending with small businesses. The nation's leaders need to foster, finance and nurture this critical core of our economy in the following ways:

- Fund innovation in the form of SBIR's
- Protect Intellectual Property of Small Businesses
- Reduce health-care costs
- Increase federal spending on Women-Owned and 8(a) Small Disadvantaged businesses
- Support small business with increased SBA funding
- Enable financing for small companies, particularly women-run and minority-run businesses.

ENDNOTES

ⁱ Source: SBA, "Small Business by the Numbers," June 2004

ⁱⁱ Source: SBA, "Small Business by the Numbers," June 2004

ⁱⁱⁱ Source: SBA, "Small Business by the Numbers," June 2004

^{iv} Source: SBA, Office of Advocacy

^v Source: Center for Women's Business Research, December 2004

^{vi} Source: Center for Women's Business Research, "A Compendium of National Statistics on Women-Owned Businesses in the U.S.," September 2001

^{vii} Springboard Enterprises, quoted in the Chicago Tribune October 23, 2002