

**National Women’s Business Council
Supporting Statement and Additional Documentation
Research on Millennial Women Entrepreneurs**

A. Justification

1. Circumstances that Necessitate Collection of Information

The National Women’s Business Council (NWBC or Council) is a non-partisan federal advisory council created to serve as an independent source of advice and counsel to the President, Congress, and the US Small Business Administration (SBA) on economic issues of importance to women business owners. The Council’s mission is to promote initiatives, policies, and programs designed to support women’s business enterprises at all stages of development in the public and private sector marketplaces – from start-up to success. In order to provide sound policy advice related to its mission, the NWBC is charged, by statutory authority, with conducting “such studies and other research relating to the award of federal prime contracts and subcontracts to women-owned businesses, to access to credit and investment capital by women entrepreneurs, or to other issues related to women-owned businesses, as the Council determines to be appropriate” (15 U.S.C. 7109a).

To meet the Council’s statutory mandate, the Council has contracted with Premier Quantitative Consulting, Inc. (PQC, Inc.) to conduct a study on millennial women entrepreneurs under award SBAHQ-16-M-0127.

2. Purpose and Use of Information Collected

One of the NWBC’s research priorities in Fiscal Year 2017 and 2018 is to explore and understand the motivations and deterrents of entrepreneurship among millennials, specifically related to gender differences. The focus group research methodology described is a component of a larger study in progress by the NWBC examining trends and issues among millennial entrepreneurs.¹ The study will include both quantitative data analysis using US Census Bureau American Community Survey public-use microdata and the US Census Bureau Survey of Business Owners and Self-Employed Persons and qualitative data analysis using information collected via the focus groups that are the subject of this data collection request. This section of the request outlines the rationale for the research design and data collection detailed and provides important context for the focus group component of the overall research project. This section is divided into “steps” that explain the foundation for the research and end with the research questions that this data collection will illuminate.

- *Step 1: Millennial entrepreneurs are worthy of study* – explains why the study of millennial entrepreneurship is worthwhile and provides citations to the literature, including statistics on millennial entrepreneurship.

¹ The preliminary report detailing the quantitative results and literature analysis is available at https://www.nwbc.gov/sites/default/files/Millennial%20Women_%20The%20Future%20of%20Entrepreneurship%20in%20America.pdf

- *Step 2: Background on the role of student debt in the millennial story and its connection to entrepreneurship* – explains why student debt is a focus of this research and how student debt is connected to entrepreneurship.
- *Step 3: The value of restricting the study of technology-based industries* – outlines why entrepreneurship in technology-based industries is the focus of this research and why student debt may affect entrepreneurial financing at startup and throughout operation.
- *Step 4: Questions unanswered by prior research* – outlines areas and questions where the existing literature, completed research, and data sources fail to answer key questions related to entrepreneurship among millennials.
- *Step 5: Research questions to be addressed* – outlines the research questions to be explored and answered via this data collection.
- *Step 6: The selection of focus groups to address the research questions* – discusses the process undertaken in selecting focus groups as the research methodology, as well as why focus groups are not only well-suited to this inquiry, but also represent the best method for data collection.
- *Step 7: Use of results by the NWBC* – details how the NWBC intends to use the results from this data collection as part of a larger research project.

Step 1: Millennial entrepreneurs are worthy of study

The United States Census Bureau defines millennials as individuals that were born between 1982 and 2000, and 2015 Census Bureau data indicates that there are 83.1 million millennials in the United States.² By the year 2025, millennials will comprise 75 percent of the American workforce,³ and some will become entrepreneurs. In 2015 the Ewing Marion Kauffman Foundation released the results of its survey on millennial entrepreneurs, highlighting the potential for millennials to be the “lost” generation of American entrepreneurs, as the rate of new entrepreneurship among those aged 20 to 34 fell from 35 percent in 1996 to 23 percent in 2013.⁴ Research by the Small Business Administration (SBA) Office of Advocacy corroborates these results, indicating that the young people of prior generations participated in entrepreneurship at a higher rate than today’s young people, millennials.⁵ While informative, neither the Kauffman report and survey nor the SBA research findings explore *why* the observed phenomenon occurs, instead focusing on *what* is happening among millennial entrepreneurs. NWBC’s research on millennial women represents an effort to understand this population’s

² *Millennials Outnumber Baby Boomers and Are Far More Diverse, Census Bureau Reports*. United States Census Bureau. June 25, 2015. <https://www.census.gov/newsroom/press-releases/2015/cb15-113.html>

³ Stewart, Matt. *How the Business Community Can Prepare Millennials for Entrepreneurship*. NY Daily News. March 5, 2016. <http://www.nydailynews.com/life-style/prepare-millennials-entrepreneurship-article-1.2553485>

⁴ *State of Entrepreneurship, 2015 Address*. Ewing Marion Kauffman Foundation. February 11, 2015. http://www.kauffman.org/~media/kauffman_org/resources/2015/soe/2015_state_of_entrepreneurship_address.pdf and <http://www.kauffman.org/multimedia/infographics/2015/infographic-millennial-entrepreneurs-and-the-state-of-entrepreneurship>

⁵ Wilmoth, Daniel. *The Missing Millennial Entrepreneurs*. US Small Business Administration, Office of Advocacy Economic Research Series. February 4, 2016.

challenges, motivations, and perceptions of entrepreneurship, and how these experiences may contribute to the documented decline.

Research by the economist Dr. Daniel Wilmoth of the SBA Office of Advocacy paints a bleak picture for millennial entrepreneurship, noting that it is expected to “remain relatively low for decades.”⁶ The research utilizes the US Current Population Survey (CPS) to examine entrepreneurship rates for similarly aged individuals across generations, thereby comparing Baby Boomers at age 30 to Millennials at age 30, for example. Dr. Wilmoth notes that age is positively correlated with entrepreneurship in general, but that growth in entrepreneurship with age among millennials is slower than that of prior generations. When examining the most recent primary employment activity, less than 4 percent of 30-year-old millennials reported self-employment compared to 5.5 percent of Generation X and 6.7 percent of Baby Boomers *at that same age*.⁷ As of 2016, 3.8 percent of millennial women were business owners compared to 5.0 percent of millennial men.⁸ The decline in entrepreneurship by today’s young adults is alarming given the importance of new businesses to job creation and economic growth.⁹ It is essential to conduct research to understand the drivers of this trend.

Step 2: Background on the role of student debt in the millennial story and its connection to entrepreneurship

In 2016, Young Invincibles and Small Business Majority released the results of a statistically representative survey of millennials and found that the largest barriers to entrepreneurship were immense levels of student debt and the lack of employer-sponsored retirement savings programs.¹⁰ Financial risk is a significant consideration when starting and running a small business. In June 2016, Wells Fargo published the results of its survey of Millennial Small Business Owners.¹¹ The report focuses on the sources of capital used by millennials to start and grow their businesses and frames financial risk around the use of debt and credit to finance a business. Millennial-owned businesses use a larger portion of personal capital than prior generations.¹² In addition, the effect of significant student debt is evident in the responses provided. Over 75 percent of both men and women strongly or somewhat agree with the statement “I am extremely wary of taking on business debt,” consistent with existing personal debts and coming of age during the mortgage crisis and Great Recession.

⁶ Ibid.

⁷ Ibid. Generation X includes individuals born between the early 1960s and the mid-1970s. The Baby Boomer generation includes individuals born post World War II to the early 1960s.

⁸ PQC, Inc. analysis of American Community Survey 2010-2014 PUMS Data, US Census Bureau

⁹ Haltiwanger, J. Jarmin, R. Miranda, J. *Who Creates Jobs? Small Versus Large Versus Young*. The Review of Economics and Statistics. 2013.

¹⁰ Ibid

¹¹ *Millennial Small Business Owner Study*. Wells Fargo. June 2016.

<https://wellsfargoworks.com/File/Index/-f3XT3jOf0uBSrt5cXUBkA>

¹² Personal capital includes capital sources such as personal savings, personal credit cards, and personal loans. This contrasts external capital, such as business loans, government guaranteed loans, venture capital, and angel investments.

However, a key difference exists in terms of funding for men and women. Namely, the Wells Fargo study indicates that there are gender differences in terms of business debt and financing. First, while 72 percent of millennial men indicated that they strongly or somewhat agree with the statement “taking on some amount of business debt is necessary to grow a business,” 54 percent of millennial women responded that they strongly or somewhat agree. In addition, 77 percent of millennial men strongly or somewhat agreed with the statement “I am willing to take financial risks in order to grow my business,” compared to 55 percent of millennial women who strongly or somewhat agreed. This result has important ramifications for millennial women and the future of their endeavors and indicates that millennial women may face a business “credit crunch.” Further research should explore nuances in these positions on debt and growth.

In July 2015, a research team from the Federal Reserve Bank of Philadelphia released a study detailing the impact of student loan debt on small business formation rates.¹³ While not focused directly on women, the report indicates that there is a negative and statistically significant relationship between student debt and new business formation with 1 to 4 employees when analyzing County Business Patterns data and data from the Federal Reserve Bank of New York Consumer Credit Panel/Equifax. That is, there is a negative relationship between individuals having student debt and starting businesses with paid employees. The authors relate this finding to the difficulty of individuals with student loan debt to access capital, particularly other sources of debt, for their businesses. In 2000, student loans comprised only 2.9 percent of total consumer debt. By 2012, that figure reached 10 percent.

A nationally representative survey conducted by Gallup and Purdue University indicates that of the 63 percent of millennials who graduated with student loan debt, 19 percent have delayed their entrepreneurial endeavors due to their debt.¹⁴ For millennials with more than \$25,000 in student loan debt, the delay percentage increases to 25 percent. According to Brandon Busteed of Gallup, given the number of graduates, student debt prevented over 2 million new businesses being formed between 2006 and 2015.

Compounding the effects of student debt on business growth is the higher burden that millennial women face in terms of their student loans. Research by the American Association of University Women (AAUW) using 2009 data indicates that millennial women face a higher student loan debt burden than their male counterparts due to lower personal income and similar student loan debt levels.¹⁵ The authors of the AAUW study mention confounding variables, such as college major, occupation, and

¹³ Ambrose, Brent W. Cordell, Larry. Ma, Shuwei. *The Impact of Student Loan Debt on Small Business Formation*. The Federal Reserve Bank of Philadelphia. July 2015.

¹⁴ *Great Jobs, Great Lives. The Relationship Between Student Debt, Experiences and Perceptions of College Worth*. Gallup-Purdue Index 2015 Report. September 2015.

¹⁵ Corbett, Christianne. Hill, Catherine. *Graduating to a Pay Gap*. American Association of University Women. October 2012. <http://www.aauw.org/files/2013/02/graduating-to-a-pay-gap-the-earnings-of-women-and-men-one-year-after-college-graduation.pdf> While informative, analysis as of 2009 does not fully capture the effects of the Great Recession on debt and wages. The Student Loan Debt Burden is the share of earnings needed to make monthly student debt payments.

hours at work as contributors to the higher student debt burden for women. However, even when taking into account the factors mentioned above, the higher burden for women stemming from lower pay remains.¹⁶ It is important to note that multiple factors influence the decision and financial ability to start a business and that additional work is required to establish a causal link between gendered income differences, student loan burdens, and entrepreneurship among millennials.

Step 3: The value of restricting the study of technology-based industries

For this data collection, participants will be restricted to only those operating in technology-based industries. Technology-based firms operate differently within the economy and provide “outsized” gains in income, employment, and productivity growth vis-à-vis non-technology businesses.¹⁷ Since 2004, high-tech sector employment growth has outpaced non high-tech private sector growth three to one and despite overall high unemployment rates in the wake of the Great Recession and recovery period, high-tech unemployment has been “far below” the national average, with the high-tech employment rate at approximately 6 percent in 2011 compared to the total unemployment rate of 9.5 percent that same year.¹⁸ In addition, the jobs that technology-based businesses create result in a multiplier effect in the local economies in which they operate, creating 4.3 additional jobs in the goods/services economy in the long-run. This compares to manufacturing at 1.4, still considered a strong value.¹⁹ Finally, the cutting-edge technologies developed and marketed by technology-based firms contribute to sustained economic growth,²⁰ and projected employment to the year 2020 in technology-based businesses is projected to significantly outpace the national average, indicating a growing sector.

A report by the Ewing Marion Kauffman Foundation emphasizes the importance of personal financing for technology-based ventures in the United States.²¹ Because technology-based businesses are considered riskier than traditional businesses, it can be more difficult for entrepreneurs to obtain the external debt or equity capital required to launch and grow their businesses. This primarily relates to a lack of tangible assets to be used as collateral for a loan, for example. While access to external capital for technology-based firms, including debt, is a challenge for all entrepreneurs, the challenge is magnified for women, and *may* be magnified for individuals with substantial student debt. In a 2008 study, Mayer²² analyzed women-owned technology-based businesses in Silicon Valley, Boston, Washington, D.C., and Portland, Oregon. She noted that the women-owned firms were smaller in revenues and employees and that

¹⁶ Corbett (2012), *op. cit.*

¹⁷ Haltiwanger, John. Hathaway, Ian. Miranda, Javier. *Declining Business Dynamism in the U.S. High-Technology Sector*. Ewing Marion Kauffman Foundation. February 2014.

¹⁸ *Technology Works: High-Tech Employment and Wages in the United States*. Bay Area Council Economic Institute Report, commissioned by Engine Advocacy. December 2012.

¹⁹ *Ibid.*

²⁰ Haltiwanger et al. (2014), *op. cit.*

²¹ Sources of Financing for New Technology Firms: A Comparison by Gender. Ewing Marion Kauffman Foundation. July 2009.

²² Mayer, Heike. 2008. *Segmentation and Segregation Patterns of Women-owned High-Tech Firms in Four Metropolitan Regions in the United States*. *Regional Studies* 42(10), 1357-1383.

structural barriers prevented women from entering capital intensive high-technology sectors.

Within technology-based industries, there are differences in how men and women obtain capital for startup and ongoing operations, including the use and importance of externally sourced debt.²³ The Kauffman Firm Survey (KFS) is a reliable and representative dataset used to study entrepreneurial dynamics and funding. Table 1 shows the breakdown by source of startup capital and capital injections by gender for KFS respondent firms.²⁴ As shown, debt is a significant source of capital for startup and ongoing capital for technology-based firms. For women, outsider debt accounted for 41.1 percent of total startup capital and 35.5 percent of new capital injections. This underscores the importance of capital to technology-based businesses and highlights the necessity of outside debt in launching a business. Given the debt situation discussed above for millennials, it begs the question *how does student debt influence the ability of millennials to start their businesses and obtain necessary capital? To what extent is this issue magnified for women, who traditionally obtain less capital than their male counterparts and face a higher student loan burden relative to their male peers?*

²³ External debt includes bank loans, for example. This directly contrasts personal debt, such as a second mortgage or family loans.

²⁴ Sources of Financing for New Technology Firms: A Comparison by Gender. Ewing Marion Kauffman Foundation. July 2009.

Table 1
Capital Sources for Technology-Based Firms by Gender

	Women	Men
<u>Initial Capital Injections</u>		
<i>Total Financial Capital</i>	\$ 87,888	\$148,108
Owner Equity	\$ 33,867	\$ 46,805
Insider Equity	*	\$ 2,044
Outsider Equity	*	\$ 38,705
Owner Debt	\$ 3,127	\$ 4,637
Insider Debt	\$ 7,102	\$ 11,691
Outsider Debt	\$ 36,113	\$ 44,226
	41.1%	29.9%
 <u>New Capital Injections, Surviving Firms</u>		
<i>Total Financial Capital</i>	\$163,380	\$117,910
Owner Equity	\$ 27,329	\$ 18,340
Insider Equity	*	\$ 2,232
Outsider Equity	*	\$ 29,855
Owner Debt	\$ 8,733	\$ 4,751
Insider Debt	\$ 29,420	\$ 3,711
Outsider Debt	\$ 57,963	\$ 59,021
	35.5%	50.1%
 Source: <i>Sources of Financing for New Technology Firms: A Comparison by Gender</i> . Ewing Marion Kauffman Foundation. July 2009. Confidential KFS Microdata.		
* Too few observations to produce reliable estimates		

The focus on high-tech and high-growth entrepreneurs personifies the belief that these entrepreneurs drive productivity and living standards in the US.²⁵ Prior work demonstrates that technology-based startups disseminate new innovations and increase competition in the economy.²⁶ Different from low-growth businesses, high-growth and technology firms typically place a high priority on revenues, profits, and increasing market shares, and require “dramatically different” financing strategies than their low-growth counterparts.²⁷ Technology-based firms can require more capital than non-technology firms and energy, biological, or chemical ventures may be even more capital intensive.²⁸ Debt is an essential component to starting and growing a technology

²⁵ Salzman, Hal, et. al. *Capital Access for Women – Profile and Analysis of U.S. Best Practice Programs*. July 2006. Kauffman Foundation, The Urban Institute.

<http://www.kauffman.org/uploadedfiles/CapAccessWomen110606.pdf>.

²⁶ Shabangu, Sanile. *The Importance of Startup Companies for Economic Development*. LinkedIn. November 22, 2014. <https://www.linkedin.com/pulse/20141122084428-77551011-the-importance-of-startup-companies-for-economic-development>

²⁷ Coleman, Susan and Alicia M. Robb. *A Rising Tide*. 2012. Stanford University Press. Stanford, California. p. 132.

²⁸ For information on how technology and traditional startups finance their founding, please see <https://www.forbes.com/sites/jeffkaufflin/2016/08/01/two-paths-to-financing-a-startup-how-a-tech->

based business and often requires personal credit or guarantees at the outset. Millennials, burdened by student debt, may lack the capacity to effectively finance their firms. Additional research is required to understand the challenges in this arena related to student debt and its influence on the founding and growth of technology-based firms, which are integral to the United States economy.

Step 4: Questions unanswered by prior research

As part of the larger NWBC research objective concerning millennial entrepreneurship, PQC, Inc. has already completed research using the American Community Survey (ACS) and the Survey and Business Owners and Self-Employed Persons (SBO).²⁹ The initial research findings published by the NWBC serve as a foundation for the development of the hypotheses to explore in the second phase of the research project. There is no publicly available, up to date dataset that captures entrepreneurial motivations and perceptions of student debt and its effect on business formation and operation. However, the knowledge obtained via the ACS and SBO quantitative analysis provides a profile that serves as the foundation for this stage of the research and frames the questions that will be posed in the group setting. Key items that we already know about millennials and women from the literature and ACS and SBO analysis include:³⁰

The Role of Student Debt

- Upon graduation from college, millennials faced high levels of unemployment and declining pay.^{31,32,33}
- Millennials are affected by student debt more than any prior generation. The number of students borrowing for educational purposes rose 89 percent between 2004 and 2014, while average debt balances grew by 77 percent.³⁴

[entrepreneur-and-a-franchisee-funded-their-businesses/#7d5512ed3278](#) . Technology-based firms may require substantial initial and ongoing investment, please see <http://www.tandemlaunch.com/raising-capital-for-technology-ventures/>

²⁹ The American Community Survey (ACS) is an annual survey of the American workforce sponsored by the United States Census Bureau. The ACS is nationally representative and offers reliable and generalizable data on labor force dynamics, including the prevalence of business ownership and self-employment activity. The ACS results summarized in this section utilize the Public Use Microdata Sample (PUMS) data files aggregated for the 2010 through 2014 period. The Survey of Business Owners and Self-Employed Persons (SBO) is conducted every 5 years by the US Census Bureau. The SBO is nationally representative and offers reliable and generalizable data on business ownership and dynamics.

³⁰ This information is contained in the preliminary report completed under this research contract. The report is included in its entirety as Appendix 7 and is publicly available at

https://www.nwbc.gov/sites/default/files/Millennial%20Women_%20The%20Future%20of%20Entrepreneurship%20in%20America.pdf

³¹ Abel, Jaison, R., Richard Deitz, Yaqin Su. *Are Recent College Graduates Finding Good Jobs?* The Federal Reserve Bank of New York, Current Issues in Economics and Finance. Volume 20, Number 1. 2014. https://www.newyorkfed.org/medialibrary/media/research/current_issues/ci20-1.pdf

³² *The Rising Cost of Not Going to College*. Pew Research Center. February 11, 2014. <http://www.pewsocialtrends.org/2014/02/11/the-rising-cost-of-not-going-to-college/>

³³ Rattner, Steven. *We're Making Life Too Hard for Millennials*. The New York Times. July 31, 2015. <https://www.nytimes.com/2015/08/02/opinion/sunday/were-making-life-too-hard-for-millennials.html>

- Millennial women face a higher student loan debt burden³⁵ than their male counterparts due to lower personal income and similar student loan debt levels.³⁶

Capital Issues

- Millennials use more personal capital than older generations when starting their businesses.³⁷
- Women are less likely to use venture capital and angel investments when starting and running their businesses.³⁸
- 75 percent of millennial men and women were “extremely wary” of using debt to fund their businesses.³⁹
- Millennial women entrepreneurs are less likely than millennial men entrepreneurs to believe that debt is necessary for business growth (54 percent of women compared to 72 percent of men).⁴⁰
- Millennial women entrepreneurs are less likely than millennial men entrepreneurs to take financial risks to grow their firms (55 percent of women compared to 77 percent of men).⁴¹

Business Motivation Factors

- Retirement and health insurance considerations discourage millennials from starting businesses.⁴²
- There is a gap between the share of millennials who want to start a business and those that have actually started a business. While 66 percent of millennials surveyed by Bentley University want to start a business,⁴³ less than 5 percent of American millennials are currently running a business.⁴⁴

³⁴ Andrew Haughwout, Donghoon Lee, Joelle Scally and Wilbert van der Klaauw. *Student Loan Borrowing and Repayment Trends, 2015*. The Federal Reserve Bank of New York. 2015.

³⁵ The Student Loan Debt Burden is the share of earnings needed to make monthly student debt payments.

³⁶ Corbett, Christianne. Hill, Catherine. *Graduating to a Pay Gap*. American Association of University Women. October 2012. <http://www.aauw.org/files/2013/02/graduating-to-a-pay-gap-the-earnings-of-women-and-men-one-year-after-college-graduation.pdf>

³⁷ *Millennial Small Business Owner Study*. Wells Fargo. June 2016. <https://wellsfargoworks.com/File/Index/-f3XT3jOf0uBSrt5cXUBkA>

³⁸ United States. National Women’s Business Council. *Research on Undercapitalization as a Contributor to Business Failure for Women Entrepreneurs*. August 2015. By Lee O. Upton, III and Emma J. Broming. & United States. National Women’s Business Council. *Access to Capital by High-Growth Women-Owned Businesses*. April 2014. By Susan Coleman and Alicia Robb.

³⁹ *Millennial Small Business Owner Study*. Wells Fargo. June 2016. <https://wellsfargoworks.com/File/Index/-f3XT3jOf0uBSrt5cXUBkA>

⁴⁰ *Millennial Small Business Owner Study*. Wells Fargo. June 2016. <https://wellsfargoworks.com/File/Index/-f3XT3jOf0uBSrt5cXUBkA>

⁴¹ This characteristic and the one noted above are inherently neither negative nor positive. At first glance, it appears that women may not be willing to take the risks necessary to succeed. However, it is important to note that women may be acting more pragmatically given the high rate of startup failure and the current economic climate.

⁴² Ibid

⁴³ *The Millennial Mind Goes to Work*. Bentley University. November 11, 2014.

⁴⁴ American Community Survey 2010-2014 PUMS, US Census Bureau, PQC, Inc. analysis

While informative, the available literature and quantitative data analyses do not provide information on millennial experiences and barriers faced when making the entrepreneurial decision and in operating their businesses, nor do they delve into *why* millennials participate in entrepreneurship at lower rates than prior generations of young people. We specifically note a lack of research addressing, and more importantly, relating, the following topics:

- Gender differences in startup decision-making factors for technology-based millennial entrepreneurs
- Barriers faced by millennial entrepreneurs and any gender differences in experiences or perceptions of these barriers
- Gender differences in ongoing operational decision-making factors for technology-based millennial entrepreneurs
- The effect of student debt on startup and operations for millennial entrepreneurs
- Gender differences in perception of student debt and its effect on starting a business
- Gender differences and attitudes towards risk and the role of student debt in assessing risk
- The relationship for millennials between student debt, economic security, and starting a business, including any gender differences

Step 5: Research questions to be addressed

This data collection will explore the following research questions to augment the other components of the research study:⁴⁵

- How does student debt influence the decision-making process of **millennial entrepreneurs** in technology-based industries?
 - o What differences, if any, exist among *prospective* and *current* entrepreneurs in this regard?
 - o What gender differences, if any, exist in this regard?
- Do technology-based *current* **millennial entrepreneurs** with student debt alter their business plans and growth strategies to accommodate student debt repayment?
 - o Do men and women differ in this regard? If so, how?
- Is student debt a deterrent or a motivator for technology-based millennial *prospective* and *current* **millennial entrepreneurs**?
 - o Do millennials believe that the financial risk of starting a business outweighs the steady income from a traditional job?
 - o Do student loan payments prevent millennials from starting businesses?

⁴⁵ These research questions refer specifically to technology-based millennials and do not refer to the overall millennial population.

- o Are there gender differences in the role of student debt as a motivator or deterrent to entrepreneurship?

Step 6: The selection of focus groups to address the research questions

As discussed above and in our preliminary report,⁴⁶ there is a lack of robust and contemporaneous quantitative data on millennial women entrepreneurs, with a particular deficiency in data detailing motivations and the role of student debt in entrepreneurial decision making. **As a result, a qualitative research design is the most effective methodology to address the research questions outlined above.** Multiple qualitative research and data collection methodologies exist to address our research questions. Per Yin (2009), these include the methods in Table 2, which includes a discussion of the form of the research question, whether the study needs control of behavioral events, and whether the method assesses contemporary or historical events.

Table 2
Qualitative Research Method Comparisons

Method	Research Question Form	Requires Control of Behavioral Events?	Focuses on Contemporary Issues?
Experiment	How, why?	Yes	Yes
Survey	Who, what, where, how many, how much?	No	Yes
Archival Analysis	Who, what, where, how many, how much?	No	Yes/No
History	How, why?	No	No
Case Study	How, why?	No	Yes
Focus Groups	What, how, where, why?	No	Yes

Expanded and adapted from Yin, R.K. *Case Study Research, Design and Methods, 4th Ed.* Washington: Sage, 2009, Figure 1.1

Creswell (2017),⁴⁷ a leading scholar in the field, espouses the importance of conducting focus groups as one of many qualitative approaches in social science, non-marketing research. The goal is to generate innovative and substantive theoretical frameworks from the data, but with the recognition that most hypotheses are not *a priori*, but rather are rooted in the data collected. As Creswell suggests, themes and

⁴⁶ The preliminary report is incorporated as Appendix 8 and is also available publicly at https://www.nwbc.gov/sites/default/files/Millennial%20Women_%20The%20Future%20of%20Entrepreneurship%20in%20America.pdf

⁴⁷ Creswell, John W. 2017. *Qualitative inquiry and research design: choosing among five approaches.* Sage Publications.

categories emerge throughout the course of data analysis, and are often not yet evident in available literature. Focus groups are well suited for identifying the needs and experiences of a group. Where focus groups have the greatest impact is their ability to assist the researcher in understanding causality. Focus groups answer questions as to *why* people behave as they do. In this data collection, we will adhere to the following best practices for focus group research:

- The focus group interviews that we propose incorporate both clear “within group homogeneity” as well as “between group homogeneity.”
 - o In all nine focus groups, the participants will be largely identical in terms of their degree of entrepreneurship. This is typical in the field and follows best practices as outlined by Patton and other experts in focus groups as a research methodology. We also achieve necessary homogeneity among the groups.
 - o While participants share key characteristics within the focus groups (for example, location, status as entrepreneurs, gender), we will be able to make comparisons across groups on other factors that will not be the same (for example, race/ethnicity, education level).
- Best practices in qualitative research indicate that between 6 and 12 participants are ideal for a single focus group. The group needs to be large enough to generate rich discussion but not so large that some participants are left out.
 - o This ensures that the groups are non-threatening and cooperative, including sharing of perspectives and concept development among focus group members.
- When performed properly, focus groups are not question and answer sessions, nor are they traditional interviews. Participant comments stimulate and influence the thinking and sharing of others, leading to valuable discussion and rich qualitative data.

We will conduct focus groups directly with millennial entrepreneurs to understand the challenges they faced during the startup phase, what motivated their decision to pursue entrepreneurship, future plans related to business operations and or growth, and their ongoing challenges related to their business, surrounding a central theme of student debt, as discussed in Section A. Women are the focus of this study. However, in order to answer our research questions and ascertain any women-specific findings, we will speak to millennial men entrepreneurs separately. This will allow us to explore any gender differences in responses or results from the focus group interviews, an important step in answering our research questions as they relate to gender differences in millennial entrepreneurship. Utilizing three distinct groups (prospective women, current women, current men) will permit comparisons of prospective and current millennial women entrepreneurs as well as current women and men entrepreneurs.

Section B includes a discussion of our focus group methodology. All focus group materials are included as Appendices to this submission.

Step 7: Use of the results by the NWBC

Discussion of focus group findings will supplement the existing quantitative research and literature review in a final report. The report will also include general policy considerations derived from the research and put into appropriate context. The degree to which the results may be generalized will be taken into strong consideration as recommendations are developed.

The National Women's Business Council intends to publish this final report on its website and to disseminate it via hard copy during relevant events. Supplementary materials such as talking points and blog posts will be developed from the report and may be posted on the NWBC website. Policy recommendations from this and other research projects will also be published in the National Women's Business Council's annual report for the fiscal year in which the research is completed.

Previous recommendations derived from research include:

- **Actively promote success stories:** In addition to focusing on solving challenges, local governmental entities and community programs should actively promote success stories, including strong exits, as a form of role modeling for fellow women entrepreneurs.
- **Explore innovative incentives for investors receiving public funds to prioritize diversity:** Policymakers should work to ensure that traditional sources of capital commit to consistent outreach to entrepreneurs of color, perhaps with specified targets.
- **Recognize those agencies meeting and exceeding the five percent WOSB federal contracting goals in FY2016:** The Council can raise awareness of the WOBS program by celebrating its successes.

Please see the National Women's Business Council's FY 2016 annual report, *United We Thrive: Sustaining Our Momentum in Public and Private Arenas*, for these and other examples of policy recommendations made from previous research.

3. Use of Technology

All methods of data collection will, to the maximum extent possible, employ information technology to communicate and gather information from participants and potential participants in the study. Focus group participants will be identified via targeted web searches and email introductions, and will be contacted online. Those who are interested in participating in a focus group will be asked to complete and electronically submit a brief profile to determine their eligibility and willingness to participate in the focus group session. A follow-up telephone call will be made to eligible participants to efficiently schedule them in a specific session. Confirmation of location, date, and time of the focus groups will be communicated to each participant via email.

All focus groups will be digitally recorded and transcribed. Our analysis of the qualitative data collected will incorporate computerized tools, such as MAXQDA,⁴⁸ to increase efficiency as well as to increase the rigor and robustness of data collection.

4. Efforts to Identify Duplication

Detailed literature searches were conducted to identify any existing information on the topic. The searches confirmed that there is minimal existing information on millennial entrepreneurship and even less on women entrepreneurs and experiential gender differences in technology-based industries and the role of student debt in formation and operational decisions. Section 2 contains an overview of existing information on the topic as well as gaps identified. Key points, in addition to those mentioned in Section 2 include:

- The most recent Kauffman entrepreneurial reports do not discuss student debt at all as it relates to entrepreneurship. This includes research reports and the startup activity indices.
- None of the contemporary surveys with available microdata include specific questions related to student debt and its effects on business formation and operation.
- There are no contemporary surveys with available microdata that study entrepreneurial decisions of individuals who want to start businesses but have not yet done so.

The focus groups proposed herein are one component of a larger study examining the literature on the topic of millennial entrepreneurship and analyzing American Community Survey (ACS) PUMS data. The data analysis using ACS data examines differences and trends among millennial men and women entrepreneurs as well as millennial women entrepreneurs and women entrepreneurs of other generations and adds to the foundational body of knowledge. The focus groups will provide specific data on the role of student debt in business formation and operational decisions for technology millennial entrepreneurs.

5. Efforts to Minimize Burden on Small Businesses

The time burden to the focus group participants has been kept to the smallest amount of time possible to obtain the required information and maintain high quality results. Our estimated burden is 2 hours total per participant. In addition, the sample size has been kept as small as possible without sacrificing the integrity of the data collection effort. To effectively conduct focus group research that is reliable, between 6 and 12 participants for a single focus group are required. The group needs to be large enough to generate rich discussion but not so large that some participants are left out. This is a critically important step for addressing our research hypotheses and ensures

⁴⁸ MAXQDA is a professional software program for qualitative and mixed methods data analysis. It is available for both Mac and PC platforms. For more information, please see www.maxqda.com

that the groups are non-threatening and cooperative, resulting in sharing of perspectives and concept development among focus group members.

To produce meaningful results, more than one focus group on a particular topic is required. For a single group, research practice dictates that three or four groups per population are acceptable.⁴⁹ This allows researchers to reach the critical “saturation point” in a series of focus groups, the point at which patterns are discernable in the coding of data and notes.⁵⁰ Participation in the proposed focus groups is entirely voluntary. The overall impact, and the impact on individual businesses, is modest given the number of participants and the time commitment expected.

6. Consequences if Collection is not Conducted

The Council’s mission is to promote initiatives, policies, and programs designed to support women’s business enterprises at all stages of development in the public and private sector marketplaces—from start-up to success. In order to provide sound policy advice related to its mission, NWBC is authorized under 15 U.S.C. 7105 and 15 U.S.C. 7109a, to conduct "such studies and other research relating to the award of federal prime contracts and subcontracts to women-owned businesses, to access to credit and investment capital by women entrepreneurs, or to other issues relating to women-owned businesses, as the Council determines to be appropriate."

This will be a one-time data collection per participant, which occurs over a short period of time. If the data are not collected, there will be incomplete information available to assess this entrepreneurial phenomenon, leaving the Council ill-equipped to meaningfully speak about or offer recommendations for a large and increasingly productive segment of American business owners.

7. Special Circumstances

No special circumstances apply to this data collection.

8. Publication of Notice in the Federal Register

As required by 5 CFR 1320.8(d), the 60-day public comment notice was published in the Federal Register, 82 FR 13176-13177, on March 8, 2017. Two comments were received by the public by the end of the comment period on May 8, 2017. The first asked for the supporting materials once they were complete. The second asked when the report would be released. A copy of the Federal Register notice is attached to this submission as Appendix 7.

9. Payment to Respondents

⁴⁹ Patton, Michael Quinn. *Qualitative research & evaluation methods: Integrating theory and practice* (4th ed.). Thousand Oaks, CA: Sage. 2015.

⁵⁰ Patton, Michael Quinn. *Qualitative research & evaluation methods: Integrating theory and practice* (4th ed.). Thousand Oaks, CA: Sage. 2015.

The minimum incentive allowed by the federal government will be provided to each participant in the focus groups. It is standard practice in the research field to offer an incentive in order to encourage participation.

10. Assurance of Confidentiality

All data collected during the screening process for focus group participants will be protected. Each participant profile will be assigned a unique identification number for data file management and the numbers assigned to each participant will be kept in a file separate from all other data. Focus group participants will be identified only by first name during the focus group sessions, and their names will not be associated with data reported or shared with the NWBC. Last names of participants and business names will be known only to the PQC, Inc. research team. The sessions will be audio-recorded to assure accuracy of the data. The recordings of the session will be anonymized after they are transcribed.⁵¹ Premier Quantitative Consulting, Inc. will hold all data securely at its facility. All reported data will be aggregated across focus groups. In the event individual comments or testimonials are presented in the report, no names will be attached and no identifying information will be shared. Focus group participants will be advised that no identifiable information or data will be released to any unauthorized third party without prior written approval of the respondent unless required by law.

11. Justification of Questions of a Sensitive Nature

Questions of a sensitive nature will not be included (questions involving sexual behavior and attitudes, religious beliefs, and other similar matters). Questions about personal student debt levels will be asked in the pre-interview questionnaire, but that information will not be linked to any specific individual in any identifiable way and will not be shared with the group. The respondents will select a range on which their student debt falls.⁵² The focus group discussion will include the effects of student debt, but participants will not be asked to disclose their personal debt levels to the group. All data related to finances will be presented and summarized in aggregate form only.

A review of the literature on women-owned businesses and millennial entrepreneurship indicates that race, ethnicity, and relationship status may affect business founding, performance, and outcomes. For example, prior research under this contract indicates that millennial women who are married are more likely to work full-time as an entrepreneur than their non-married counterparts.⁵³ Collecting demographic information permits contextual analysis and may suggest future work.

⁵¹ Focus groups will sign a consent form at the focus group events. This is included as Appendix 4.

⁵² This information is being used to ensure that participants have a variety of debt levels. The questionnaires are included as Appendix 1 and Appendix 2.

⁵³ For more information, please see Appendix 7.

12. Estimation of Time Burden for Respondents

This data collection effort will consist of 9 focus groups across the country, each with a maximum of 12 participants.⁵⁴ The maximum number of focus group participants will be 108. The total annual time burden is estimated at 216 hours for completion of all aspects of data collection from the focus group participants. Each participant will spend 1.5 hours in the focus group and 0.5 hours prior to the focus group responding to the invitation and completing the participant profile (2 hours total for participants). To estimate the annualized cost of this time burden, we assumed 2,000 annual working hours and an annual salary of \$66,000.00, which is the median annual salary for small business owners in the United States as reported by PayScale Human Resources. This results in a cost per participant of \$66. In order to obtain 108 focus group participants, it is estimated that 300 contacts will be needed. For each of the 192 individuals who are contacted and screened, but who are not eligible, willing, or able to participate in the focus groups, the time burden is approximately five minutes for a total of 16 hours. This adds an additional cost burden of \$528.00. In total, the estimated hour burden for this study is estimated at 232 hours, and the cost burden at \$7,656.00. The breakdown is shown in the table below.

Information Collection (Focus Groups)	Number of Respondents	Number of Responses per Respondent	Average Burden per Response in Hours	Total Annual Burden of Hours	Hourly Rate*	Time Burden Cost
Contacts that Do Not Participate	192	1	5 minutes	16	\$ 33.00	\$ 528.00
Focus Group 1	36	1	2	72	\$ 33.00	\$ 2,376.00
Focus Group 2	36	1	2	72	\$ 33.00	\$ 2,376.00
Focus Group 3	36	1	2	72	\$ 33.00	\$ 2,376.00
<i>Total Annual Burden Hours</i>				232		\$ 7,656.00

*Hourly rate based on 2,000 annual working hours and a salary of \$66,000 per PayScale Human Resources

13. Estimation of Annualized Cost to Respondents

There is no additional cost burden to respondents in this study, other than the time burden noted above.

14. Estimation of Annualized Cost Burden to the Federal Government

The cost to the federal government is limited to contractor costs. These costs are inclusive of all labor and expenses for the design and implementation of study methods, instruments and processes, final reports, recruitment of participants, travel, mailing, incentives, and general and administrative fees. The total estimated contractor cost for this data collection is \$116,187.00.

15. Explanation of Program Changes

This is a new data collection. There are no program changes.

⁵⁴ The focus groups are not a stand-alone research methodology and will be presented alongside complimentary quantitative information in the final report.

16. Plans for Tabulation and Publication

It is anticipated that focus group participants will be recruited in September/October 2017 and that the focus groups will be conducted in October/November 2017. Analysis of all data is expected to occur concurrently as the focus groups are conducted. The final report, incorporating the focus group data collection as well as the literature and quantitative data analysis, is scheduled to be submitted to the NWBC in January 2018. The NWBC plans to publish and distribute the report to stakeholders and make the report available to the public on its website in Fiscal Year 2018.

17. Display of OMB Approval Expiration Date

The OMB approval expiration date will be displayed.

18. Exceptions to the Certification Statement of OMB Form 83-I

There are no exceptions to the certification statement.