

Testimony

Catherine (Cathy) Koch, owner of K-Tec Systems

Senate Small Business Committee Hearing – July 26, 2023

Pathways to Women's Entrepreneurship: Understanding Opportunities and Barriers

Chairman Cardin, Ranking Member Ernst, distinguished committee members and guests, good morning.

My name is Cathy Koch. I am the founder and owner of K-Tec Systems, a Detroit-area manufacturer of temperature sensors, wire harnesses and control systems. We serve diverse industries, including Automotive, Aerospace, Food, Medical and Chemical. I am also an alumna of the Goldman Sachs *10,000 Small Businesses* program.

It is an honor to be here today. I appreciate your invitation and your attention to leveling the playing field for female small business owners.

I would like to begin by thanking the Committee for its bipartisan work last week to pass a series of bills to modernize the Small Business Administration (SBA).

I am here today to share my personal experience as a female small business owner and the unique barriers we face. And, importantly, what can be done to create equity and level the playing field.

Let me start from the beginning of this journey. The year was 1989. I had a one-year-old daughter, I was a recently divorced single mother, and I was working in sales in the male-dominated automotive industry.

1989 was a different time. I loved sales, and I loved being a mom. But I was told by my male boss that a woman couldn't do sales – let alone a new, single mom. I disagreed. I knew my value and my talent. So, I left and went to a competitor.

While things were better at that competitor, I was still being held back. Eventually I realized that the only way I'd reach my true potential – as a woman in a male-dominated industry – was to start my own business.

I put together a business plan. I sought a loan from a traditional lender, but because I was a woman, I couldn't get one without a co-signer. In fact, I hadn't been able to secure a loan without a co-signer until three years ago even though I have been profitable every year in business. Do you think male small business owners face similar circumstances?

Since I couldn't get a loan to start a business, I bought a house with a land loan. I used \$10,000 from that loan to finance the start of K-Tec Systems. I had succeeded in overcoming **the first challenge female small business owners face: Far more limited access to capital than their male counterparts.**

Starting a business is hard. I made sacrifices. I brought my daughter to work with me regularly because – like many female small business owners – access to affordable and reliable child care was another barrier I faced.

Eventually, my hard work paid off. K-Tec hit our stride. We were doing business with every major automobile manufacturer and had broken into other industries.

Then came the Spring of 2020. COVID-19 changed everything. I didn't think my company would survive.

Thanks to PPP, a COVID EIDL loan, a CEED loan from Great Lakes Women's Business Council, and my great employees, K-Tec pulled through COVID and is thriving again. In fact, we are doing some of our most meaningful work yet with a new contract to supply temperature sensors for the transportation and storage of a new cancer drug.

Here's the truth: My story, while troubling in some respects, is a success story. The challenges that I faced – and to some degree still face – didn't stop me. But, those same challenges persist and are a devastating detriment to a large number of female small business owners.

Simply put, the extra challenges female small business owners face are a drag on our nation's economic output. Think of the charge female small business owners could put into our economy if they were unleashed without restriction.

As this Committee continues its work to establish equity for female small business owners, I offer these perspectives where Congress and the SBA can focus to give us a fair shake:

- **First, make mentoring and coaching opportunities for female small business owners more accessible and tailored to the women they serve.** Along the way, I could have used more female mentors who helped me navigate the difficult terrain of starting a business. That is why I mentor fellow female entrepreneurs. In my experience, the current mentoring and coaching programs and resources from the SBA are hard to find and not what we need.

I can honestly say the female small business owners I speak to are not aware of Women's Business Centers and don't know the programs they offer. These programs should be modernized, and their reach must be extended.

- **Second, reform the procurement process.** It is nearly impossible for small business owners to sell their products to the federal government. I've effectively given up – and I'm far from alone. It's no wonder the SBA regularly misses its goal of contracts awarded to female small business owners.

Here's a true story that should resonate: My products are currently purchased by the U.S. Air Force. But they are not bought from me.

They are purchased from a larger, male-owned business who is, quite literally, the middleman, because he can afford the resources to navigate the procurement process.

If that doesn't trouble you, consider this: the federal government is paying more for them than it would be by buying directly from me because he marks up the price. The only reason for this is because the procurement process is just too difficult to navigate.

It's past time to cut the red tape.

- **And third, continue modernizing the SBA to address the challenges of today's small businesses.** A lack of access to child care is a workforce issue and a small business issue – and it must be treated as such. I'd like to thank this Committee and Ranking Member Ernst for working to address challenges small business owners face as it relates to accessing child care. We must also examine how the SBA and federal government can increase access to affordable capital for small businesses. The truth is female and minority-owned small business owners are disproportionately impacted by this challenge.

I could share more as supporting women and female small business owners is a real passion. However, in the interest of time, I will conclude by thanking the Committee for its time and for inviting me here today. I look forward to answering any questions you have and stand ready to work with you to find solutions to challenges female small business owners face today.

Thank you.