



National Policy Centre for Women's Enterprise Evidence Paper Steady As She Grows

Delta Economics

Key Messages

Entrepreneurs are the lifeblood of any economy. As change agents, they are the means by which whole economic systems adapt to new technologies, new ways of working and new ways of delivering and producing goods and services. Through the markets they create or change they are the cogs in the engine of economic development. Through the jobs and the wealth they create, they are also the cogs in the engine of economic growth.

Understanding how women entrepreneurs differ to men as their businesses grow is a key piece of missing evidence. If appropriate public and private sector support mechanisms are to be developed then a clear business case for dedicated support needs to be developed that identifies where any market gaps might arise.

This Challenges and Opportunities of Growth (COGS) survey is a first attempt to capture the motivations of entrepreneurs, how their businesses grow, the value they create and the challenges and opportunities which that value affords. We interviewed 1,800 founders of companies between the 20th August and the 10th October 2008. The founders had set up companies that were older than two years but younger than ten years and had turnovers of between £250,000 and £20m. In other words, the companies we surveyed are growth and sustainability oriented and have survived the first two years of development during which attrition rates are particularly high.

Previous research¹ has suggested that women are half as likely to set up businesses as men; they are less likely to think that they have the skills to set up a business and less likely to know other people who have set up businesses. Women invest less in their businesses and have lower expectations of turnover growth. The same research also suggests that older and more established businesses are much more likely to be run by men than by women and that therefore the attrition rate of women out of entrepreneurial activity in the critical growth phases is high. The low numbers of women in the COGS survey corroborates that evidence.

However, COGS finds that once the businesses are older than two years, the gender differences are less marked:

- > Women and men alike require on average £120,000 to start up a sustainable, growth oriented business and will invest 72% of that amount (or £86,400) from their own resources.
- > Women's motivations for starting a business are broadly very similar to men's although they are less likely to be following a dream or helping others to follow a dream, less likely to want to be motivated by the desire to do something different and less likely to be pursuing the commercialization of scientific or university research.
- > Women are more likely to use banks to finance the gap in start-up capital than men and rank advice from banks more highly than men. In fact, women tend to use a greater variety of advice and generally rate it higher than men. The only exception is that men are more likely to seek advice from "nobody" and to rate it highly!

- > Women and men do not differ in terms of employment or turnover growth, return on investment or growth in turnover per employee. However, women rate the value they create more highly than men, both in terms of hard financial aspects such as profitability and market share and in terms of softer, intangible aspects such as social or environmental impact, branding and non-salaried jobs created.
- > Women are less fazed by the current economic climate than men and by related issues such as managing cash flow and profitability.

These messages suggest an unequivocal case for supporting women who are growing businesses and challenging many of the stereotypes about women-owned businesses that are constructed on the basis of anecdote rather than hard evidence. The first COGS study finds that within its sample of growth-oriented founders just 13.6% are women. Yet these women, as is demonstrated by our cases as well as by the data, do not differ in terms of investability to men and, indeed, have more positive attitudes towards the value they create and the support they get. In other words, women look for support in the public and the private sector and are perhaps more likely, therefore, to gain from its provision. If there are no differences between men and women in terms of the value they actually create or expect to create, then it stands to reason that by focusing on supporting growth-oriented women's businesses, then we can expect more women to "stick with it" and prevent the attrition that has hitherto blighted the women's enterprise cause.

Policy Recommendations

Data

Whatever the inadequacies of the evidence base thus far, the commitment towards promoting women's enterprise is clear. The UK government has done much to stimulate activity and awareness of women's enterprise issues through the original Strategic Framework for Women's Enterprise in 2003, the Women's Enterprise Task Force established in 2006, through the Ambassador programmes regionally and through the Enterprise Strategy, published in March 2008 which provided a commitment for a £12.5 million co-investment Women's Investment Fund and for regional Women's Business Centres to support women in their local and regional geographies.

The next stage is to provide the longitudinal and comparative evidence base such that the market failures experienced by growth-oriented female owned businesses can be identified and understood. This literature search and the COGS study is a first step in the process of doing just that and concludes that if we are to generate sustainable women-owned and led businesses then we do need to ensure that the evidence base can support this type of policy by:

1. Providing a regularly updated quantitative picture of the entrepreneurial and Small and Medium sized Enterprise (SME) sectors that is gender disaggregated. This would mean using current business statistics collation (for example through the Inter-Departmental Business Register (IDBR) and HMRC and

1. Harding, R. and Harding, D (2007): "The State of Women's Enterprise in the UK" Prowess.

coordinated through the Office of National Statistics (ONS) to ensure that gender and ethnic origin were routinely recorded on Companies' House data. This would mean that business statistics such as turnover estimates and performance indicators from company accounts could be analysed by gender and ethnicity.

2. A regular survey-based vehicle that captured the experiences and growth estimates of entrepreneurs themselves to estimate how many of the companies fell into "missing middle" or "high growth" categories, their enterprise "journeys" and to calculate firm level productivity and returns on investment.

The Policy Elephant

There is a sense in which this report could almost represent a rebuttal of the current initiatives to support women-owned businesses: after all, if there are no growth or value creation differences and if the motivations of male and female founders are similar, then why provide support disproportionately to women?

The answer is very simple. Just 13.6% of the sample of 1,800 "survivor growth-oriented founders" we surveyed are women.

If this number is to grow then policy needs to focus heavily on enterprise support for women between the earliest stages of start-up and the growth phase represented by this survey.

If more women founders were classified as growth oriented, then the resultant increase in entrepreneurial business stock would have a positive contribution to UK productivity and value-added.

This suggests that there are four key areas on which the work of those engaged with women's enterprise support should focus:

- > Addressing the issue of why so many women exit between the earliest stages of business development and the more established stages covered here.
- > Providing business support that both focuses on retaining women entrepreneurs and that is wide enough to reflect the diverse nature of support that women need.
- > Broaden the types of growth finance available to women, especially informal investment, since at present, women's finance is predominantly bank-based. While this is not a bad thing in itself, it does mean that women are not always accessing the most appropriate form of growth finance.
- > The Aspire Fund is a £25m opportunity to provide flexible growth finance that addresses both the challenge of attrition and the challenge of sustainability. By linking this fund to public sector procurement access as well as business growth support, entrepreneurs would have finance alongside real contracts ensuring that track record and short term cashflow problems were addressed simultaneously. This is a well-trodden path in microfinance, but equally applicable to a publicly-funded growth finance model as well.

Introduction

Women's enterprise policy and the need for evidence

The Department of Business, Enterprise and Regulatory Reform's Enterprise Strategy, Enterprise: Unlocking the UK's Talent of March 2008² announced a number of significant changes to support for women in developing business and enterprise aspirations:

- > A high profile media campaign coordinated through Enterprise Insight and targeted at raising awareness of entrepreneurship as a career choice.
- > With the Regional Development Agencies (RDAs), to develop new Women's Business Centres to promote enterprise skills and know-how for potential and high growth women entrepreneurs. Under the remit of the Enterprise Strategy, the National Policy Centre for Women's Enterprise was also established to act as a "one-stop shop" for women's enterprise research and policy thinking.
- > To encourage childcare centres to give advice on entrepreneurship as an employment choice more women-friendly and accessible.
- > To provide national mentoring and investor-readiness schemes and networks.
- > To establish a £12.5m capital fund for growth-oriented women-owned businesses. The "Aspire" Fund will have up to £12.5m of public funds matched by a further £12.5m of private money. It will be accessed through Business Link and managed by Capital For Enterprise (CfEL) Ltd with a focus on women-owned or managed businesses looking for between £100,000 and £2m in growth finance.

These policy initiatives represent a substantial shift in the women's enterprise support landscape. First, the role of the RDAs has, in line with other areas of enterprise policy, been strengthened both on the demand-side to encourage women to be more entrepreneurial. Second, supply-side measures specifically to support women owned or managed business have been materially strengthened through the provision of a dedicated fund that recognises the specific financial support needs of women-owned businesses.

Alongside national level media campaigns and coordination of mentoring and investor-readiness programmes, the shift places greater emphasis than hitherto on the growth phases of development rather than the start-up phase.

Gaps in the Evidence base and why this matters

Take the statement that, "If women started businesses at the same rate as men, there would be 150,000 new businesses each year, creating many new jobs." We do know, through consecutive years of research from the Global Entrepreneurship Monitor (GEM) UK data that women are half as likely to start businesses as their male counterparts.³ In 2007, female entrepreneurship was 3.6% of the UK female adult population aged 18-64 compared to 7.5% of the male working-age population and this relationship has been consistent for the last six years. It doesn't take too much to turn this percentage into an absolute number by taking the number of annual business registrations a year given that GEM suggests a third of all start-ups are female.

2. <http://www.berr.gov.uk/files/file44992.pdf>

3. Harding, R., Hart, M., Jones-Evans, D. and Levie, J., (2008): Global Entrepreneurship Monitor, UK monitoring report, 2007. Available from <http://www.gemconsortium.org/download/1221053796587/GEM%20UK%202007%20Report.pdf>

Yet data on the gender of the founder directors of businesses and their subsequent share ownership is not routinely collected, as this report sets out to demonstrate. So although we can estimate the numbers of businesses that would be created reasonably accurately since the ratios have not changed, we cannot say how many jobs they create or indeed anything else about them at all. In fact, because successive academic studies (all based on different datasets) have suggested that women's businesses tend to be smaller, it might be that their overall impact on jobs and wealth creation is limited.

The long and the short of it is that we just don't know. Data from the US suggests that there is a strong and vibrant cohort of women's businesses that have survived to be older than three years, that have substantial turnovers of greater than \$100,000 and whose owners have growth and development aspirations for their companies.⁴ This so-called "Missing Middle" constitutes 91% of female entrepreneurs in total or 16% of all female entrepreneurs if micro-enterprises are excluded (with less than 10 employees). Based on a survey of 92 members of the National Association of Women Business Owners who met the age and turnover definitions, it suggests that by helping the micro businesses alone to grow would increase their employment by 31%. Again, though, this is acknowledged to be a pilot study that highlights the potential of this group of businesses it ultimately, is neither comparable nor based on a large enough, or representative enough, sample to do anything other than suggest potential.

So we know relatively little about the growth-segment of the women's enterprise market. Indeed, what we do know supports the view that the market failures are on the demand side – women are less likely than men to set up a business in the first place and many of these businesses are likely to stay at a small scale. Available survey evidence, for example, suggests that:

- > Women are half as likely as men to be entrepreneurially active.⁵
- > Women constitute 27% of those moving from employment to self employment.⁶
- > This difference disappears for businesses that are set up for social, community or environmental purposes (social enterprises).⁷
- > The flows into self employment are greater in sectors traditionally dominated by female employment such as care, health, education and community services.
- > On the basis of literature and case study work, there appear to be systemic problems in the capacity of female-owned businesses to grow and access growth finance.⁸
- > Women are less confident than men about their capacity to set up businesses and grow them and, even when successful, have typically started with lower expectations of growth and turnover than their male counterparts.

Many of these are demand-side issues that are addressed through pre-start and start programmes at RDA level. Supply side issues in terms of access to growth finance will be at least partially addressed by the new venture fund for women's enterprise announced in the enterprise strategy. The evidence base to support demand-side and lower-end supply side measures has historically been good and supplied empirically through GEM, the BERR Household Survey and the Labour Force Survey.

A full literature search methodology and the key results are presented in Appendix 2. Suffice it to say here that the results of this search suggest that policy would be greatly supported if more data were available to understand the experience of women entrepreneurs as they manage their companies through the initial growth stages. For example, we know very little about the following:

- > The growth path of female-owned or managed businesses (eg access to finance, use of business advice, support from professional services, turnover and employee growth, capital invested).
- > The barriers, challenges and issues that female owned businesses have faced compared to male as they have grown.
- > The relative innovativeness of female owned businesses compared to male.
- > The relative growth potential of female owned businesses compared to male.
- > The sectoral make-up of female-owned businesses.
- > The returns of investment: if female businesses are predominantly socially oriented sectors, would social return on investment be a more appropriate way of evaluating their performance than return on investment?
- > The productivity of female owned businesses compared to male owned and how this changes over time as the business grows.
- > The total factor productivity and hence GVA of female owned businesses compared to male and how this changes over time.

The comparatively weak evidence base means that there are no longitudinal or comparative data on the value that women businesses create compared to men both in terms of productivity and value added as well as in terms of more normative value like good management and customer relations. This means that market-gaps at present are understood anecdotally rather than rigorously and this limits both policy formulation and evaluation. It also means that many of the assumptions about women-owned businesses are based on broad, again anecdotal, stereotypes: that women are under-represented, that they are less confident and that their businesses suffer from systemic failings and intrinsic gender-bias which cannot be overcome through policy.⁹

4. Womenable (2007): "Mapping the Missing Middle: Determining the Desire and Dimensions of Second Stage Women Business Owners." http://www.womenable.com/userfiles/downloads/ResearchinBrief_Missing_Middle.pdf
5. Harding, R. (2007): Global Entrepreneurship Monitor, UK; London Business School
6. Harding, R. and Harding, D (2007): "The State of Women's Enterprise in the UK" Process
7. Harding, R and Harding D (2008): "Social Enterprise in the UK: What we have learned" Delta Economics <http://www.deltaeconomics.com/media/social2008fullreport.pdf>
8. Carter, S. and Shaw, E. (2006): Carter, S. and Shaw, E. (2006): "Women's Business Ownership: Recent Research and Policy Developments." BERR 2006.

9. For more evidence supporting this assertion, see Womenable (2007): "Mapping the Missing Middle: Determining the Desire and Dimensions of Second Stage Women Business Owners" or Carter, S., Shaw, E., Lam, W. and Nelson, F. (2007): Gender, Entrepreneurship and Bank Lending: the Criteria and Processes used by Bank Loan Officers in Assessing Applications Entrepreneurship Theory and Practice May 2007 pp 427-444. See also, Harrison, R. and Mason, C (2007): "Does Gender Matter? Women Business Angels and the Supply of Entrepreneurial Finance." Entrepreneurship, Theory and Practice May 2007, pp 445-472. Cowling, M. and Harding, R. (2005): "Gender and High Growth Businesses in the UK." Paper to the Diana International Conference, Stockholm, May 2005.

Why another survey: the COGS survey method

Accordingly, Challenges and Opportunities of Growth (COGS) survey¹⁰ is designed to help us better understand the entrepreneurs in charge of young companies, the process by which their businesses grow, the challenges faced by them and how they have coped with them, as well as the future opportunities and growth potential ahead. It surveyed 1,800 entrepreneurs across the UK¹¹ who have set up companies that are older than two years but less than ten years and who have generated turnovers in excess of £250,000 already.¹²

The overall aim was to begin to plug the gap in the evidence base around growing businesses generally and to compare demographic groups, such as men and women, in particular. Like any first attempt, there are limitations, not least in terms of the relatively small proportion of women in the sample (13.6%) and the even smaller proportion of ethnic minority entrepreneurs (9%). These low numbers are because of the smaller number of women and ethnic minorities in the established business population and because we asked to speak to a founder or co-founder rather than specifying the gender or ethnicity. Similarly, the regional samples are relatively small (see footnote 11), it was not possible to produce results for all sectors because of small numbers and the number of entrepreneurs under the age of 30 is limited at just 2.4% of the sample. There were no quotas set for gender, ethnicity or age but the sample weightings ensure that the results are representative of the business population within the sample frame and all reported results are significant at the 5% level unless otherwise stated.

Interviews lasted approximately 15 minutes and were with the founder or co-founder only. They were conducted by telephone using Computer Automated Telephone Interviewing (CATI) techniques. Quotas were set on turnover size so a sufficient number of companies were over the £5m turnover size to enable robust results.

In addition to the survey methodology, ten companies were selected as case studies from the 1,800 companies in the initial sample. These indicate the types of company that were in the study and provide some “real” stories behind the numbers.

Respondents to the survey and case studies were asked if they could be re-interviewed in the future. This allows us to develop a panel study within the main survey and to track actual business development over time through our case studies.

10. Sponsored by HSBC and conducted by Delta Economics.

11. This figure included a boost of 500 companies in the West Midlands and the North East. The dataset is weighted by region, turnover and year founded and is representative of the whole UK business population aged 10 years or less with turnovers of £250,000 or less. The bulk of the survey was of companies with turnovers of £250,000-5m but an additional 143 companies have turnovers of between £5m and £20m to cater for any potential exponential growth.

12. This lower threshold removes the large number of registered companies that have smaller turnovers (for example below the VAT threshold and guarantees our “sustainability” criteria – that the company must have a substantial market and potential to grow.

Definitions of Growth

The economics of entrepreneurship literature has focused on entrepreneurs and small businesses and their contribution to economic growth and development since Birch (1989)¹³ first established that small businesses are the predominant providers of jobs in the American economy. As a result, studies since have focused on job creation as a means of measuring growth.¹⁴

By focusing on employment generation, however, any study is restricted only to understanding growth in businesses that naturally create jobs. This may reflect more traditional sectors rather than newer, service based, sectors which can generate turnover without generating jobs. Similarly, the phenomenon of “jobless growth”, especially in the United States in the 1990’s, where new technology-based companies created significant value without creating either jobs or turnover means that other measures, such as return on investment or turnover per employee are equally as important.

The OECD defines high growth as those companies achieving greater than 20% turnover growth year on year for three years (broadly “Gazelles”)¹⁵. However, as more than 75% of companies in this sample classified as high growth under that definition, clearly it is not suitable for very early stage companies at the beginning of their growth path.

To cater for these growth measurement difficulties, the COGS study uses several measures of growth:

1. Employment: Two measures are used to estimate the employment creation potential of business in this survey. Respondents were asked about the number of jobs they created when they started the company, the number of jobs now and the expected number of jobs to be created over the next three years. “Actual employment growth” is the difference between jobs now and jobs created when the company started. “Expected employment growth” is the difference between anticipated job creation in the next three years and jobs now. A business is defined as high growth if it has created more than 25 jobs since it started and as having high growth expectations if it expects to create a further 25 jobs over the next three years. These definitions are consistent with Autio (2007).¹⁶

13. See for example, Birch, D., Haggerty, A., Parsons W. (1997): “Who’s Creating Jobs” Cognetics, Cambridge, MA or Autio, E. (2007): Global Entrepreneurship Monitor, Report on High Growth Entrepreneurship. Available from www.gemconsortium.org; Audretsch, D. (2002): “The Dynamic Role of Small Firms: Evidence from the US” Small Business Economics 18 (1-3): 13-40. Springer, Netherlands.

14. Van Stel A and Storey, D. (2004): “The link between firm births and Job Creation: Is there a upas tree effect?” Regional Studies 38 (8): 893-909. Routledge, London; Armington, C. and Acs, Z. (2004): “Job Creation and Persistence in Services and Manufacturing” Max Planck Institute for the Study of Society, Jena, Working Paper 16-2004. Audretsch, D., Keilbach, M. and Lehmann, E. (2006): “Entrepreneurship and Economic Growth” Oxford University Press, Oxford

15. Department for Business, Enterprise and Regulatory Reform (2008): “High Growth firms in the UK: Lessons from a comparative UK performance.” BERR Economics paper No 3, November 2008.

16. Autio, E. (2007): Global Entrepreneurship Monitor, Report on High Growth Entrepreneurship. Available from www.gemconsortium.org. See also Birch, D., Haggerty, A., Parsons W. (1997): “Who’s Creating Jobs” Cognetics, Cambridge, MA; Audretsch, D. (2002): “The Dynamic Role of Small Firms: Evidence from the US” Small Business Economics 18 (1-3): 13-40. Springer, Netherlands; Van Stel A and Storey, D. (2004): “The link between firm births and Job Creation: Is there a upas tree effect?” Regional Studies 38 (8): 893-909. Routledge, London; Armington, C. and Acs, Z. (2004): “Job Creation and Persistence in Services and Manufacturing” Max Planck Institute for the Study of Society, Jena, Working Paper 16-2004. Audretsch, D., Keilbach, M. and Lehmann, E. (2006): “Entrepreneurship and Economic Growth” Oxford University Press, Oxford

2. Turnover: As with employment, turnover after the first year of trading, turnover now and expected turnover in the next three years are recorded. “Actual turnover growth” is the difference between turnover now and turnover after the first year of trading while “expected turnover growth” is the difference between turnover expected in three years and turnover now. A company is said to be high growth if it has experienced turnover **growth** of more than £500,000 since its first year of trading.

3. Return on investment and turnover per employee: All respondents were asked about the amount of money that they had needed to start their firm in addition to turnover and employment questions. Return on investment is “actual turnover growth” divided by the total investment in the company. This is converted into a percentage. Expected return on investment is estimated as the expected turnover growth divided by the total investment in the company. Similarly, turnover per employee is simply turnover at any of the three stages divided by the number of employees.

In addition to this, there are two “value creation” variables that are created: “tangible” and “intangible” value creation. The first is the founder’s own assessment of how they and their company have performed on a scale of 1-5 (1 = extremely poorly and 5 = extremely well) in terms of:

- > “hard” measures (profit, dividends, healthy cashflow, market share, market capitalisation and salaried jobs) and
- > “soft” measures (non-salaried or voluntary jobs, environmental stance, employee welfare, social impact, brand building and protection of intellectual property).

Starting Out: Motivations, Experience and Support

39.4% of men and 34.3% of men in the survey had started a business before. 58% of women sold or merged the business they had owned previously compared to 41% of men. Men were more likely to have closed their business and ceased to trade or to have put it into administration (37.7%) compared to women (28%).

Debbie Harlow
Garibaldi Public House

The motivation to run a public house rather than be tenants was to be independent, get a fairer reward for the hard work and be responsible for their own decisions. They set out to know everything about the market and sorted out personally what they wanted and didn’t want. With more than 20 years of experience between them, they thought it was the right business at the right time.

They had a clear strategy to watch the customers for the first 3 months before deciding what direction to take. They got to know what the regulars wanted and where expansion could take place. The plan was spot on. The name was changed back to its original, a strong local customer base was attracted in and then the strategy of developing the food side of the business was started. Own recipes of traditional home cooked food were used, sourced locally or from trusted suppliers from the last 15 years. So far, it has been a successful strategy.

The main challenges faced have not been the ones to do with the usual pub management but to be suddenly responsible for VAT, PAYE, employee’s National Insurance, dividends, getting the right gas and electricity suppliers was daunting. They had to learn very quickly by themselves and have made mistakes. For example, getting sucked into a computer deal which was wrong for their

situation and for which they are still paying too much. They didn’t know and didn’t know where to get the advice that was wanted.

The current economic problems are an issue as customers are being affected but the business provides a haven and their business is sticking to providing quality food, plus are doing more and more in the community to broaden the customer base. Specific issues such as cheap supermarket drink and the smoking ban have not helped, but have made them focus on what we do and why. These issues are all challenges to be met not problems to depress you.

The actual mechanics of the business delivery are what people concentrate on, but for them it has been all the other things which have been the headaches. Having training and access to facts and advice on these additional business issues would have been so useful.

A relative was used as a mentor for advice who luckily was great, but that has its limits. You need someone who is available when you want them and with no obligations attached. They found out about Business Link and see them as being exactly the sort of organisation which should be providing that sort of advice. They didn’t use them at the time, but would recommend them. They now read all the trade press and use a government gateway to make sure they are not missing anything.

Women's start-up motivations are generally fairly similar, although they are less likely to be following either their dream or helping others follow their dream, less likely to want to do something different and less likely to be pursuing university or scientific research (Figure 1).

The trigger of wanting to start a business to make a social, community or environmental reasons is at similar levels for men and women, as illustrated in Figure 2. However, men are more than twice as likely to be motivated by the desire to provide a dividend to shareholders (10.6% compared to 3.9% of women) while women are more than twice as likely to have set up their business with a formal social enterprise structure (either reinvesting profit or with a not for profit structure): 7.8% compared to 2.5%.



Gender and total

Figure 1: Primary goal of the business by gender

(* = significant at 10%, ** at 5%, *** at 1%)

	men	women	total
Follow an idea or dream**	72.0	64.3	71.0
Help others follow idea or dream **	20.1	14.0	19.2
Pursue a market opportunity	69.7	66.7	69.3
Re-invest cash from sale of a business	10.9	11.6	11.0
Do something different **	61.9	51.7	60.5
Commercialise university research **	4.1	1.4	3.7
To have autonomy over time	72.5	75.8	72.9
To make social, environment difference	49.2	49.3	49.2
Replacement income	20.4	18.4	20.2
To make money	65.0	61.4	64.5

Figure 2: Main triggers to starting a business by gender

The dominant goal, for men or for women, is a “for profit” one: to provide profit for owners and directors. However, gender differences are statistically significant and women are less than half as likely as men to be distributing their profits in the form of returns to investors but more than twice as likely to be recycling surpluses for social, community or environmental purposes.

Reflecting this, some 85.6% of the companies in the survey were private limited companies, 5.4% partnerships, 5.5% sole traders and 2.8% public limited companies. Just 0.6% of the sample were charities (0.6% men, 0.5% women but this is not statistically significant).

In other words, although some 49% of the entrepreneurs were motivated by social, environmental and community goals, a very small number of them actually set up their business with “overt” social enterprise structures. One entrepreneur remarked, “A lot of small businesses just can’t compete with the Big Boys on price, but we can compete on value in every sense of the word and that’s how we differentiate ourselves.”

Stephanie Hayman
Whole School Meals

Whole School Meals is a Social Enterprise which cooks and serves meals for 20 schools in Kent. The founder, Stephanie Hayman saw there was a need for the provision of better quality meals for children in schools in her area. The opportunity arose when Kent local authority decided to break up the size of the school cluster which a company could bid to provide for and instead reorganised them into smaller clusters. This allowed a start up to compete, whereas before only the larger companies could achieve the economies of scale needed to provide such large scale operations at the lowest price.

Stephanie says “as a school governor I was shocked by the quality of the food on offer to the children and I felt that it was my responsibility to do something about it.” So when the chance arose, she acted to get together parents to gauge feelings, governors and others to see if they were interested and the heads of 20 schools to see if they would support the idea. Stephanie had a background in Housing co-operatives so felt she had some management experience which could be transferrable. The initial meeting had 13 people interested, of which seven continued. The initial paperwork was, as Stephanie recalls, comprehensive, but essential if they were to outbid the larger businesses. They succeeded and initially set up a business limited by guarantee.

The key points for the business were to ensure the quality of the food improved, but also to make sure that as an initiative, it continued. Stephanie has changed the business set up so profits can be allocated back to the schools. Therefore although it is a social enterprise, it does have shareholders, so 75% of the shares are held by the schools and 25% by directors. There are £25,000 worth of shares with each school buying £1,000 worth and each of the five directors likewise, which gives them an incentive and ensures the quality of the directors is excellent. The majority of any profit goes back into the schools. Predictably, the schools are very happy about this situation. As Stephanie says “It incentivises the schools and the staff feel they are doing more than just a job. They really are working to help the children’s education as well,”

The schools are the majority shareholders and decide the business strategy and profit allocation, but they do not have the responsibility of day to day running of the operational side. They therefore

get the benefits but with minimal risk. The business has had to raise additional funding and the regional development agency (RDA) has given a loan of £90,000 over the last three years.

Stephanie was keen to emphasise that the staff have been taken on from their previous employers, but “we have developed their skills so now they actually cook rather than just serve. It has helped their confidence and job satisfaction. They initially served 900 meals a day and now we are up to 1,500. The average cost of the ingredients before we won the contract was 37p per meal and we spend between 60 and 70p per meal. We insist on local produce wherever possible and we also stress the freshness and quality of the ingredients. That really was the whole point of setting up Whole School Meals in the first place.” They also invest in staff training and have a mobile cook to advise and help out. They get support from the local training college and all the assistants either have or are working towards the relevant level 2 NVQ.

Stephanie says that getting the parents on their side is really important, so they have taster evenings for them and children too. As the menus change every term, she thinks it is important for them all to feel that they buy into what is happening. She thinks that one of the biggest problems she has had is to persuade parents and children to change their expectations of new food. Holding events allows Whole School Meals to invite other schools in to publicise what could happen in their school cluster, for In School Service Training (INSET) and other community group events. Stephanie thinks that the government’s agenda to develop the provision of services through the third sector offer huge opportunities, for example to deliver services through the Primary Care Trust.

Other developments are after school cooking clubs and summer schools. These additional opportunities allow the business to grow, to gain extra revenue and extend the provision of good food to more in the communities. It will also subsidise the provision of school meals.

At a personal level, Stephanie says “ I was not aware of the level of work at the outset, of the cost in time and how much learning I would go through. It has been a huge learning curve. Learning how to set up a business, dealing with parents, editors and the media has been all new, but very exciting. I have also learned that I never want to work for someone else ever again. I have freedom and can already see other opportunities after this business.”

Nicky Pusey
Signet Resources

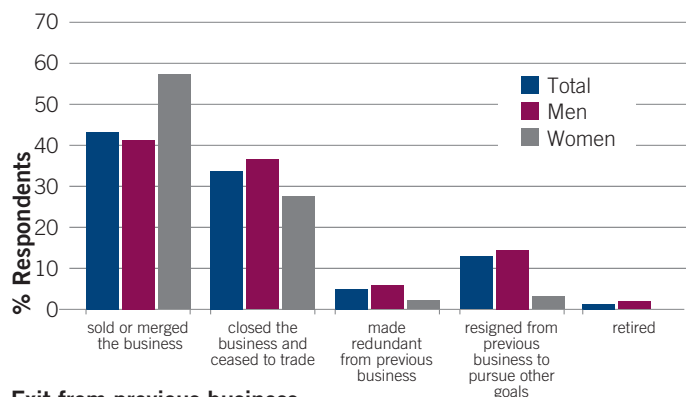
Signet Resources are recruitment agents but have a niche market. They bridge the gap between the Search and Select consultancies and the High Street walk in agencies. They add value to a company's staff selection by their recruitment service with bespoke matching of employees to the company.

Nicky co-founded the company in 2003 after many years of experience in all aspects of the business. Signet Resources sits between the two main recruitment types and it is because Nicky and her co-director have that experience that they were able to see the gap in the market. The set up was fortunately rent free, but then they had no salary for three months whilst the business got going. Nicky says the main problem with the sector is "that we have such a negative image. So we decided to do what we call 'Resourcing with Integrity'. We think it works because our turnover has doubled every year, 76% of our clients only use us and we have kept over 70% of our clients for the full 5 years." One of the key areas that is very important to Nicky is staff employment. Out of 11 staff, 6 are working mothers and 4 work part time. As Nicky says "the working mums are really focused, in general companies do not offer the sort of flexible working which the working mum wants. We do. We know it is really important to us, so we do the same to the staff. It pays us too, as they are really good workers. We value them and they us. It works both ways."

Finance wise, they still have an overdraft but are financially self-sufficient with the majority of their costs (75%) being staff salaries. Unfortunately, as Nicky says, "the current situation means we are having to look at those costs, especially as sales are currently down by 50%." But Nicky thinks they will get through the recession as she says "We are in a unique setting, we are at an ideal size and have got the right people working for us." Also they are, for the first time looking at advertising. Responding to her personal motivations, Nicky said "I had to be self employed. Setting up the business was really hard work, but I wish I'd done it years ago. I make my own decisions and I have influence over what happens." She would advise any prospective entrepreneur to think about their reasons for starting a business. "If you want quick money, then don't bother – it is the wrong motivation. If you want an income as a reward but not as a driver, then go for it. But you have to really, really believe in your business, be passionate about your business."

Entrepreneurial Experience

39.4% of men in the sample and 34.3% of women had set up a business before but women are more likely to sell or merge their business than men, as illustrated in Figure 3.



Exit from previous business

Figure 3: Routes for exit from previous business

Two points are worth noting from Figure 3:

1. Women are far more likely than men to exit the business through trade sale or merger with another company (58% compared to 40.9%).
2. Men are far more likely than women (37.4% compared to 28%) to close their business and cease to trade (this includes liquidation or administration).

Access to Finance

On average, the entrepreneurs responding to the survey required £120,000 to start their business of which they supplied 72% (£86,400). There are no significant differences by gender in the total amount invested or in the amount supplied by the entrepreneur themselves. Figure 4 illustrates the source of the remainder of the start-up money. Asterisks are used to denote statistically significant results.

Immediately obvious from Figure 4 is the fact that the patterns of access to finance are different between men and women.

Women are far more likely to use bank finance for plugging the gap between what they will invest and what they need, while men make substantially greater use of private investors outside of their personal network – i.e. business angels. One business angel who runs a network and whom we interviewed as part of the study said, "I try to be as accessible as possible so that anyone can access finance. I don't charge a commission and I like to think that we help people through the process in a non-intimidating way. But I only get 7% of women through the door. This saddens me."

In fact, men are more likely to use their networks and a greater variety of funding sources than women according to the data presented in Figure 4. A higher number access finance from family and friends, other investors and, interestingly, other partners and directors than do women. Women's access to finance is heavily dominated by bank finance. Although there is greater access of public sector grants by women, this is still only a small proportion of those who will get their additional finance from the bank.

Linda Whittaker
Skytrac Solutions

Skytrac Solutions supplies and delivers food and designs innovative meal box packaging to the travel industry. They provide many of the meals in airports and on flights for many of the most well known airlines, train companies and ferries.

Linda and her partner set up the company after they saw a business opportunity to be a food service supplier concentrating on efficient delivery systems. The business has gone in two phases, as Linda explained “ We were worth 20 million up to the twin towers – straight after we were worth nothing. So we started again. We knew what to do and had a different focus. We now, for example, pack everything you see on the trolley which goes down the aisle on an aeroplane as well as their packets of meals for breakfast and dinner. We have also expanded into supplying many of the companies in other parts of the travel industry.”

Knowing the market and having a keen eye for the costs are a key part of keeping a profit margin. Also, as Linda says, “If you can grow without massive borrowing you then are cash rich and are in a position to take advantage of any opportunities. And there are a lot of opportunities, even in the current credit crunch.” Linda notes that many of their rivals are going out of business, but is keen to state that this can be seen as an opportunity to expand and to make sure their costs are built into their service contracts. This makes Skytrac very lean.

The business did have a number of equity investors, but Linda found it difficult to work with them. The main area of conflict, she says was “They had a different culture. They came from a commercial environment and kept hauling us up before the board when we missed a few targets. I felt like I was being told off, when it was my company. It didn’t feel right.” Linda has since bought out all of these investors and, as she puts it “their rules were too tight and restrictive. Now I feel free and can be entrepreneurial.”

The role of the banks has been significant in the development of the business. Linda says “We were with one of the high street banks and decided to switch. That was a mistake. Dealing with the new bank business managers was like talking to children. They just didn’t understand the business. For example, they actually charged us to read our management reports ! We switched back again.”

The future will see Skytrac expand into other areas linked to the travel industry. As they already have a presence at airports, they are to do some targeted cleaning of aircraft as well. Regarding the future, Linda says “there are no ill effects at the moment, although there will be some consolidation across the whole travel industry which will affect us all. But we are actually expanding at the moment.” She stresses that the company has to be very much customer service led, and that it is vital to react to customer feedback. They also try really hard to treat their staff well with a good working environment and they listen to staff suggestions. Linda recalls that many of their core employees have been with the company for many years and have grown alongside the business.

(* = significant at 10%, ** at 5%, *** at 1%)	total	men	women
Family and friends **	8.7	9.4	3.0
Other private investors (not family/friends) ***	32.9	36.1	7.7
Bank ***	37.9	34.0	68.2
Credit card	0.3	0.4	0.0
Formal equity finance/venture capital	0.2	0.2	0.0
Small Firm Loan Guarantee Scheme *	3.3	3.5	1.5
Other government or public sector grant ***	4.0	2.7	13.6
Other partners and directors *	15.3	16.5	6.1

Figure 4: Access to finance: men and women

Tracey Jackson
Magellan Food Company

Tracey set up the Magellan Food company with her partner as co-Director in 2002. They originally manufactured and supplied high quality sandwich fillings and are now increasingly making the sandwiches and related foods themselves. Tracey says their main reason for setting it up was to provide a pension for themselves, so they pooled their expertise and used a mix of savings, an overdraft and equity finance to invest approximately £100,000 in the company.

Their backgrounds were complementary, with Tracey having expertise in Sales in the Food industry and her fellow director as a mechanical design engineer, so between them they divided up the operational and management sides. As she says, you cannot do everything yourself and you need someone who you can trust to work with.

They had a steep learning curve to go through in the first two years, with little relevant outside advice. But after critical advice from a consultant from within the industry, they focused on all aspects of the cost base and assessed their strategic direction. More specifically, they cut out loss leaders, looked at transport costs and whether their sales direction was the best. The rationale behind these decisions, says Tracey was that the margins in the industry are so tight. This is borne out as all their rivals in terms of size have gone out of business. The only ones left as direct competitors are at least eight times bigger. Tracey says they have to compete on quality and having excellent standards as they have no economies of scale like the bigger companies. She notes that those smaller companies which have gone out of business all competed on price and have undercut

themselves out of the market. Tracey is adamant that Magellan will not compete solely on price but will build on their reputation for quality.

The food manufacturing industry is not, perhaps one which would seem to be gendered, but Tracey says that the language used in sales is often so fast, dynamic and male centred, that women feel out of place, outnumbered and often lose out to men. Magellan has tried to employ a male sales director to compete on similar terms, but it hasn't worked out.

So the strategic re-focus on quality and ensuring everything is not a cost burden has allowed Magellan to thrive. Tracey says that expansion plans are already underway with new products being made for new markets. Their existing ones in the NHS, Hilton hotels, the airlines and schools and universities are being added to by their manufacture of snack foods. Their target market is the quality end and so their energy has gone into a system to pasteurise the products which apparently is almost unique for the UK. Tracey says "Know your market and don't undersell yourself. Remember as one door shuts another opens."

Developing her personal theme, she says that "Although it is very competitive out there, it is an opportunity. You have got to be positive. You have no option if you are to survive. The other thing is you've got to keep taking your dream forward. If you lose that drive you're snookered." She recalls the strength of the staff when illness to a staff member made them question whether to carry on and it was, critically, the defiant attitude of the staff which gave them the strength and determination to continue.

Finally for this section it is worth reporting on two other results of the survey:

- > The most common form of bank finance for both men and women is a business loan (70.4% compared to 64.9%) followed by a business overdraft (25.4% and 18.9% respectively). Women are slightly, but not significantly, more likely to have access personal overdraft and mortgage facilities compared to men.
- > 14.4% of men and 6.3% of women had tried to get finance for a business venture previously and failed. The reasons for the failure were largely around business planning, the riskiness of the investment and the lack of collateral from the entrepreneur (including the amount they themselves had risked). The difference in failing to access funds previously is significant at the 1% level.

Access to Business Support

Access to finance is only part of the story. Many entrepreneurs we interviewed were profoundly influenced by the advice given to them by a mentor, by families or by government support agencies. In the current environment, the case studies and other entrepreneurs and professional advisers interviewed as part of the study argue that keeping a good personal relationship with the business's bank was imperative. One professional advisor commented, "There is no need for a company to go bankrupt unless it wants to. The banks are there to help. They don't want your house because they won't be able to sell it again and, because they are assessed on how many successful companies they have on their books, they aren't going to want you to go bust either."

(* = significant at 10%, ** at 5%, *** at 1%)

	Source of advice used (% respondents)			% response that advice has proved to be useful or very useful		
	total	men	women	total	men	women
Personal friend	29.8	29.9	29.5	54.8	53.7	**61.4
Mentor or coach	9.1	9.5	6.3	81.3	80.7	92.3
Another entrepreneur	22.5	23.0	19.3	79.9	80.4	75.6
Business or entrepreneur support network	6.4	5.2	**14.0	46.9	44.3	51.7
Bank	32.6	31.2	**40.6	34.0	33.6	*35.3
Potential investors	6.1	6.2	***5.3	47.2	48.8	***36.4
Work colleagues	25.7	25.6	**26.1	48.8	56.7	**72.2
Professional (lawyer, accountant, consultant)	45.3	44.1	***52.7	69.3	58.7	**57.8
Family member	27.5	25.8	***38.2	28.8	65.8	***85.9
Business link / government business support agency	21.0	21.2	**19.8	78.2	39.9	***32.5
Nobody	17.2	17.8	**13.0	n/a	n/a	n/a

Figure 5: Sources of advice used and their usefulness

We asked the founders about the sources of business advice and how useful they had found it. The results are presented in Figure 5 with asterisks to denote significant differences between men and women.

Figure 5 demonstrates:

1. Both men and women surveyed used many different sources for business advice in both the private and the public sector. This demonstrates the scale and breadth of the support structure that entrepreneurs utilise when they are setting up and growing their businesses.
2. "Professional" advice, either from banks or from lawyers, accountants or consultants are the most frequently accessed sources of advice. Women are more likely to access advice from both sources and proportionately more likely than men to find their advice useful or very useful.
3. Women are also more likely to find advice from business or entrepreneurial support networks, from families and from government agencies such as Business Link useful than men.
4. Men are not statistically significantly more likely to access advice from potential investors, but they are more likely to find it useful.
5. Men are significantly more likely to access advice from nobody!

Figure 5 yields some interesting insights into the usefulness of business support. In particular, women are more likely to find support from most sources either "useful" or "extremely" useful. The only exception to this are potential investors, where numbers of women accessing this support are small, professional business advisers such as lawyers and accountants and Business Links.

The responses on the usefulness of business support were on a 1-5 scale (where 1 = not at all useful and 5 = extremely useful). This allows all the support routes to be grouped into one "business support" index (ranked out of five for convenience). A mean of 3.0 suggests that the advice given has been neutral and not especially useful to the entrepreneur:

The results of this are as follows:

1. The mean response for the whole population is 3.67 suggesting that entrepreneurs do value and find useful the advice that they seek.
2. Women are significantly more positive about the advice they receive than men (3.82 compared to 3.65).

Summary

Several things emerge from the analysis thus far that are helpful in understanding the starting point of the woman entrepreneur. First, women are slightly less likely to have run a business before compared to men (34.3% compared to 39.4%) but have very similar patterns to men in terms of the types of businesses they set up, the or type of organizational structure they use to set up their business. Although they are slightly more likely to be involved in charities, the numbers are very small. Indeed, women are as likely as men (49%) to say that they were motivated to set up their business by a desire to make a difference, socially, environmentally or in terms of job creation and they are less likely than men to reply that they are setting up their business to help them or others follow through a dream.

Second, it does not appear to be the case from this initial survey that women invest less than men in their businesses or that they have issues with accessing bank finance. There are no significant differences in the initial amounts that women need in start up finance compared to men and they are more likely to use bank finance than men. Women are less likely than men to have failed to get finance for a business previously.

Finally, women entrepreneurs are generally much more positive about different types of business support compared to men.

The only exceptions are the more institutionalized forms of business advice, such as professional services, other entrepreneurs, potential investors and, interestingly, Business Links. Women find informal networks, friends, family, colleagues and mentors particularly useful.

Entrepreneurial Sustainability and Growth

It is important to be clear on the different types of growth that the COGS survey has identified from the employment and turnover results. Even founders with smaller scale aspirations for their business had no intention of letting the current climate deter them from sustaining the business and the livelihoods of themselves and their employees – that is, to maintain employment at a sustainable level at all costs by following sustainability objectives. Only 10% of companies fall into the highest growth categories in terms of job creation (>25 jobs). While nearly 50% fall into the category of turnover (>£500,000 in turnover growth since start up) which for a younger company is high growth, only 20.5% have created turnover growth of £1m-£5m since starting and just 3.4% turnover growth of above £5m. In other words, a relatively small proportion can be classified as genuinely “high growth”.

Employment

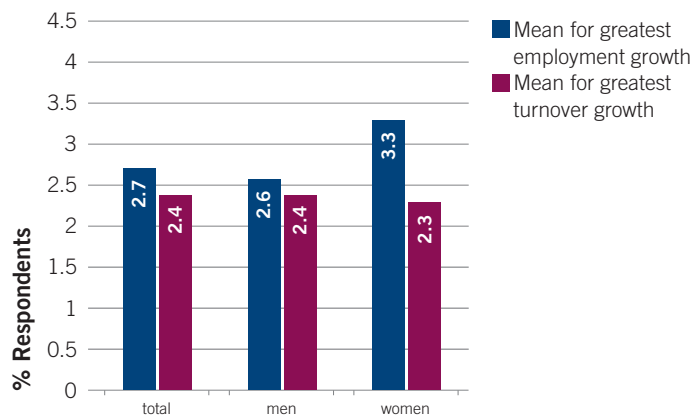
Academic research identifies high growth expectations entrepreneurs who expect their businesses to create more than 20 jobs over the next three years. COGS has followed this protocol but rather than set a threshold of 20 jobs for high growth expectations, a threshold of 25 jobs has been set as the companies in the survey are already established.

89.5% of companies were in the sustainable growth category while 9.7% were in the high growth category. Women are as likely as men to be in the high employment growth category.

Other highlights are as follows:

- > 6.7% of founders classified as having high job growth expectations (employment in three years minus actual employment now) but interestingly, women were significantly more likely to be expecting to create jobs over a three year period (13.9%) compared to men (5.5%).

- > The average (mean) length of time when employment growth is the greatest is 2.7 years. The figure for men is 2.6 years and for women is 3.3 years. The average length of time for turnover growth to be the greatest is after 2.4 years (2.4 for men and 2.3 for women). This is illustrated in Figure 6. The results for employment are statistically significant but for turnover growth are not.

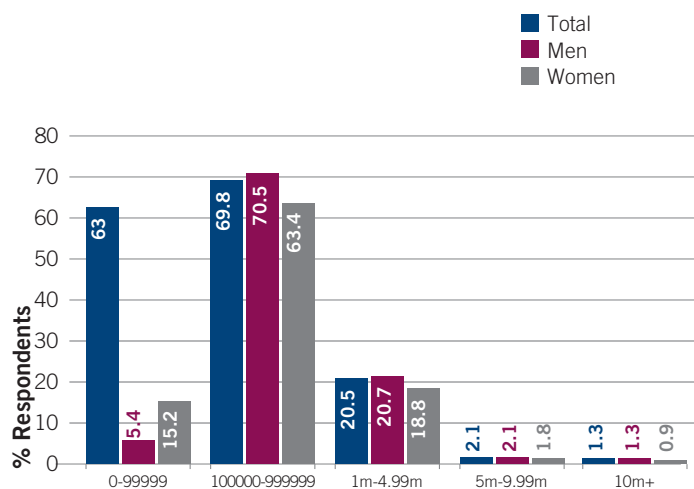


Total, men and women

Figure 6: Average length of time for growth to be greatest (mean)

Turnover Growth

For the purposes of defining high growth, we have defined high turnover growth companies that have experienced greater than £500,000 growth in turnover over the period since they started. Medium turnover growth is less than £499,999 in the period since they started. Exceptional growth is above £5m. The distribution by gender is illustrated in Figure 7.



Actual turnover growth

Figure 7: Turnover growth in bands by gender

Aileen Williamson
Dreamsday Spa

Aileen Williamson set up Dreamsday Spa at Christmas 2005 to allow time and space for clients, beyond beauty treatment. "It's the kind of treatment you have in a luxury hotel or destination hotel, without having to pay luxury prices" Aileen says. Her own 22 year background in the Health and Beauty Industry had left her convinced that women want more than just a quick makeover. Her clients often feel drained from everyday life and really need somewhere to relax properly beyond the beauty treatment. "Many Health and Beauty outfits start up," she says, "but many fail because they don't get something fundamentally right- the understanding of their market is so important. It is also hard work and not the glamorous occupation that you would expect".

It is a fact that the industry has a rapid turnover of staff. Aileen makes sure that her therapists feel valued and secure, by providing a continual monthly training programme with Pevonia, her Spa product house. Aileen also pays her therapists very well. "My therapists work very hard to exceptional standards, but they get financially rewarded for their efforts". Being sensitive and listening to your staff is also very important. "We have weekly meetings and the girls are not frightened to challenge me over issues. Any issues are sorted out between us, so we all feel like we are winning; however there are occasions when a decision must be made and my word is final." Aileen says. Staff satisfaction is reflected in the time Aileen keeps her therapists, "The average for the industry is a few months up to a year, here it is 6 and 7 years, in the end it is based on trust and loyalty".

Setting up the Spa nearly 3 years ago was very hard work. She invested substantial amounts of her own

money and a small business loan to make it happen. She has a good relationship with her bank manager and she says. "I would advise people to always have a direct line with your bank manager, they may try to hide because they are very busy, but don't let them".

The conversion of a derelict small hotel to house the Spa was the greatest challenge of all and rapidly consumed her budget. "I'd just had our son and I found myself site managing up to 19 men at one time. Carlisle had been flooded and tradesmen wanted premium money. They were very difficult - as an example I used 7 joiners and 4 different plasterers. I had to sack a group of plasterers when they were fighting on site and one ended up with a broken arm. The decorators walked out 2 weeks before the opening day because they wanted more money. The whole project cost around £600,000 but has been well worth the effort".

Aileen has received a huge amount of support from her family, friends and staff. On occasions she has had valuable legal advice from Business Link, especially in relation to employment law. She has also required the support of her spa insurance company Salon Secure who offer a legal helpline. "You must ensure that you have full legal cover to work in the Beauty Industry. We are often an easy target".

The current economic climate that we are in has not hit the business too hard because it has been set up in a secure way, but sales are down 5-10%. "The number of treatments we are doing is the same as last year but people are not spending quite as much on products". Aileen is not looking to expand her business any further at the present time. But, she says, "We do have plans to expand our community involvement. That is were our focus has been and will stay. Expanding would mean inevitably losing the personal touch which is the essence of our success".

The mean turnover growth for the businesses in our sample was £1,022,565 and the median £400,000 suggesting that there are a few exceptionally high growth companies (above £5m) but these amount to only some 3.4% of the whole sample. The bulk of companies (69.8%) fall into lower levels of turnover growth below £1m. The gender differences in high and exceptional growth companies are not statistically significant.

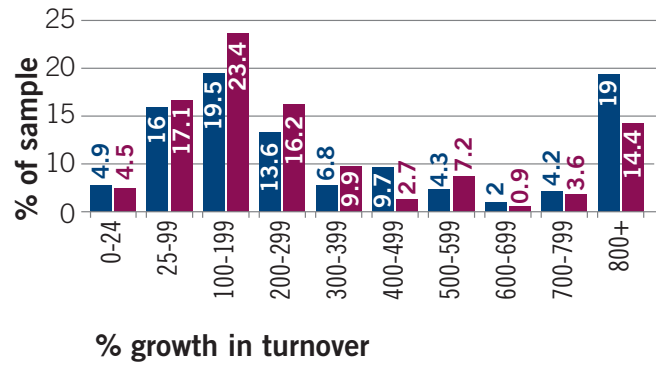
However, the fact that so many companies in the whole UK sample classify as high growth according to the definitions used thus far suggests that the measure of £500,000 actual growth in turnover since founding does not apply to start-up and early stage companies. The OECD defines high growth in line with the "Gazelles" definition of 20% year on year growth over a three year period.

These criteria are applied to the existing data set, irrespective of age, yield the growth patterns exhibited in Figure 8.

There are two key points from the data presented in Figure 8. First, there is no significant difference in the distribution of growth by gender. Women owned businesses are not disproportionately lower growth and, indeed, there are a higher percentage of women owned businesses in the categories between 25% and 399% growth as well as in the category 500-599%. Second, although male founders run businesses which are more likely to have the highest percentage of growth (19%) this compared favourably to women at 14.4% and is not a statistically significant difference.

Figure 8: Percentage growth in turnover since started by gender

men
women



Trish Traynor-Watson, Mark Costanzo
Liquid Space

Liquid Space, a young design and build company, was founded in 2003 by Trish Traynor-Watson and Mark Costanzo. Trish, takes particular pride in being the industry’s only female Managing Director and in bringing “the woman’s touch” to the client experience of her business. “We take care,” she says, “to make sure that when the client moves in to their new office space, they are ready to start on achieving their dreams straight away. For example, we unpack their crockery and put everything in the kitchen washed and shining.”

The focus on building a long term relationship with the client is vital to the success of the business. Since it started, it has grown from a turnover of £1.6m in the first year, and 9 staff, to a turnover in 2007 of £7.4m and 18 staff. This rapid growth, Trish believes, has been driven by two things: first, the company places an emphasis on cultivating long-term and repeat business. This is unusual for the sector – often refurbishment decisions are made on a one-off basis and therefore the Design and Build industry also sees the relationship as a one-off one. However, she argues, “If you are transparent throughout the contract about delivery and any problems as they arise, if you are up-front about costs and if you make sure that you, as a Director are there vacuuming the floor to make it immaculate when they move in, then people come back for more.” 15% of Liquid Space’s turnover growth has been repeat business and a large percentage of our business has been through personal recommendation.

The other area that is a critical part of the success story is the focus on people management. Employees are encouraged to be up-front about needing “duvet days”. “Funnily enough,” says Trish, “We don’t get that many sick and duvet days! I just ask people to send me a text if they’re not coming in until late. We run a ‘caring company’.” People really matter because they are the interface

with the client. Site managers who are not always in the office can get a bit isolated so effective dialogue with the designers is managed through regular “Town Hall Meetings.” An Executive Management Board of some of the younger employees ensures that they are being trained in solving business issues, preparing board papers and understanding where mistakes are made so that as the business grows, the senior management team are already trained up to take more responsibility.

There are challenges ahead and managing the fallout of collapse in City property market has meant that the Design and Build market has become extremely competitive. City businesses are looking to build their client base in the West End so pricing and service need to be thought through a lot more carefully. The last few months have created a general nervousness in the sector which have combined with a couple of people leaving the business to create new challenges around motivating staff, reassuring people that their jobs are secure and keeping the commitment to the health and social side of work: good holidays, training, and keeping the office environment relaxed and friendly. “you have to come in every day with a smile on your face; even if you don’t feel like it.”

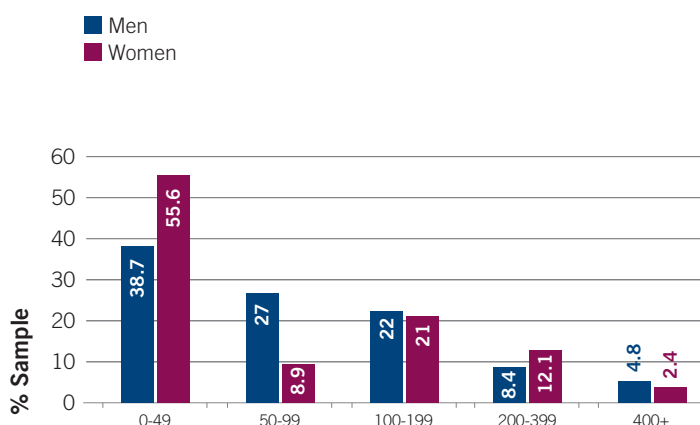
The key lesson from all of this is to ensure that the business is built up for growth from the outset. For example, the company hasn’t needed to be audited until recently because its turnover was too small, but the cost of auditing was incurred from the outset to make clients feel assured of the sustainability, and growth potential, of the business. The focus on training and succession means that not only are the staff acquiring skills, they also develop a loyalty to the business. “I had one guy say that he wanted to be with us in 20 years’ time,” says Trish. After just five years, that is quite a testimonial.

The statistics so far do not tell us how rapidly businesses grow at the outset, however. Twenty percent growth year on year from the first year after founding equates to 100% total growth by year four. If we look at the percentage growth amongst companies that are four years old, some 80% of them have grown more quickly than 20% year on year (60% grew between 100% and 599% and 20% grew above 600%).

The distribution of male and female owned businesses is identical.

Thus far the analysis does not suggest that there are differences in the actual growth of men and women's businesses. There are, however, significant differences in percentage growth expectations, as illustrated in Figure 9.

Figure 9 suggests that the women founders in the survey were less confident about the growth potential of their businesses with over 55% expecting 0-49% growth. This is significant at the 1% level. However, the differences between the other classes are not statistically significant with the differences in distribution being caused largely by fewer classifying as 50-99% growth and more women in the 200-399% category.



% Expected growth in turnover (bands)

Figure 9: Expected percentage growth in turnover by gender

Summary

Businesses owned and managed by women do not appear to have lower actual growth, either in terms of employment or in terms of turnover than their male counterparts. This challenges some of the stereotypes about women's businesses. It is therefore essential to remind ourselves that the reason why there may be no significant differences is because of the sample frame, which is set up deliberately to find out about the growth-oriented founders. Even so, the lower turnover threshold is £250,000 per year and it is encouraging that women are not disproportionately represented in this smaller category than men.

The other important finding is that the OECD's definition of high growth (20% year on year) may apply to the largest companies but is not appropriate to defining high growth at the early stage

of development (up to ten years). Some 80% of the companies in the sample, irrespective of gender would otherwise classify as high growth using this definition. Women are as likely as men to run businesses that have greater than 100% growth in the first four years of trading, corroborating the fact that there are few differences in the actual growth of male and female businesses.

It does appear from this section that women have more modest expectations of growth and although this does not appear to translate into actual growth being lower, it is a note of caution in an otherwise positive picture.

Entrepreneurial Wealth Value Creation

If a proper business case for supporting women-owned businesses in comparison to male-owned businesses is to be made, then the value created by both genders must be compared and any lessons for policy extracted. The difficulty with measuring any type of value creation on the basis of a survey is that it can only ever be indicative: the results are prone to margins of error that do not apply to company accounts.

However, survey based material can indicate levels of wealth and value actually being created and, more than this, can assess how the entrepreneur themselves feels about the way in which they are adding value, to their business and to the broader set of stakeholders around them.

The material contained in this section should be regarded to some extent as work in progress since this is a first survey and prone to the limitations already highlighted. That said, as policy makers, particularly the RDAs, are increasingly focusing on the "Value Added" that companies create, it is important to have a starting point for discussion at least.

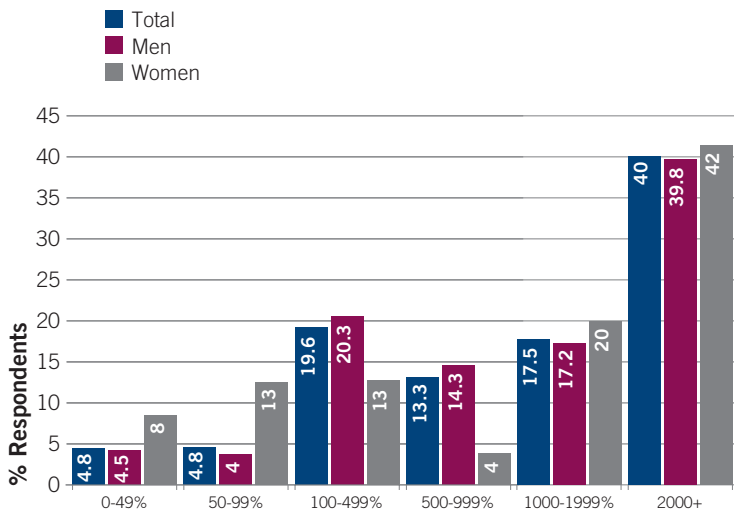
Two approaches were used. The first, actual return on investment (RoI), is the actual turnover growth divided by the initial investment.

The second, turnover by employees is actual turnover now divided by employees now. Expected return on investment and expected turnover by employee growth were also calculated but the results returned were not statistically significant.

Actual RoI

On average an entrepreneur requires £120,000 in start up investment and will create a median Return on Investment of 1,200% from the time when they start their business. Return on Investment is illustrated in Figure 10.

What Figure 10 shows is the actual RoI broken into bands. Interestingly, although neither turnover nor the level of investment differ by gender, the RoI bands do differ with larger numbers of women in the lowest and the highest categories (below 50% and above 2,000%) and men's RoI distributed more evenly across the range of bands. The median RoI for men and women does not differ significantly.



Return on Investment

Figure 10: Actual return on investment by gender

Turnover By Employee

Turnover by employee is a rough measure of productivity and is useful as an indicator of how much “wealth” (output) is being created by each person employed in the firm. The median turnover by employee in the UK as a whole is £90,000. There are no differences by gender.

78.6% of the founders said that their business had grown at the rate they expected or faster than they expected suggesting that their management was producing actual growth in line with their goals. In order to gain more depth on the management aspects of setting up a business, we asked the founders to rank two things on a scale of 1-5 (where 1 = very poorly and 5 = extremely well):

- > “hard” measures (profit, dividends, healthy cashflow, market share, market capitalisation and salaried jobs) and
- > “soft” measures (non-salaried or voluntary jobs, environmental stance, employee welfare, social impact, brand building and protection of intellectual property).

The results were compiled into an average (or mean) response for tangible value creation (the hard measures above) and intangible value creation (the softer measures).

In general, the founders are positive about how they have created value through their business activities. A mean response of 3 would imply that they were neutral, but the mean is actually 3.27 suggesting a leaning towards “better than expected” self-evaluations. The results can be summarised as follows:

Women are significantly more likely than men to assess themselves as creating both tangible and intangible value with mean scores of 3.4 and 3.5 compared to male responses of 3.2 and 3.3 respectively.

Summary

Women create as much value as men in terms of output per employee and in terms of Return on Investment. They are more likely to assess their own value creation positively, both in terms of their “softer” management skills and their “hard” value indicators such as profitability, cashflow and market valuation. The case study material suggests that women are keen to promote the softer value creation aspects of their businesses as sources of competitive advantage that distinguish themselves from larger competitors. All this suggests that women-owned businesses have no less value potential than male.

Management Challenges and Opportunities

Any value in a company is of course created by the way in which the founder reacts to changes in the internal management environment and the external business and economic environment. Clearly, given the time during which this survey was taking place, we would expect responses to be largely negative on the external environment aspects of management. Indeed, 64% reported that managing the current macro environment was one of the key challenges to growth, 67% saw maintaining profit as a key challenge and 52% the general difficulties in the sector. The full responses are shown in Figure 11.

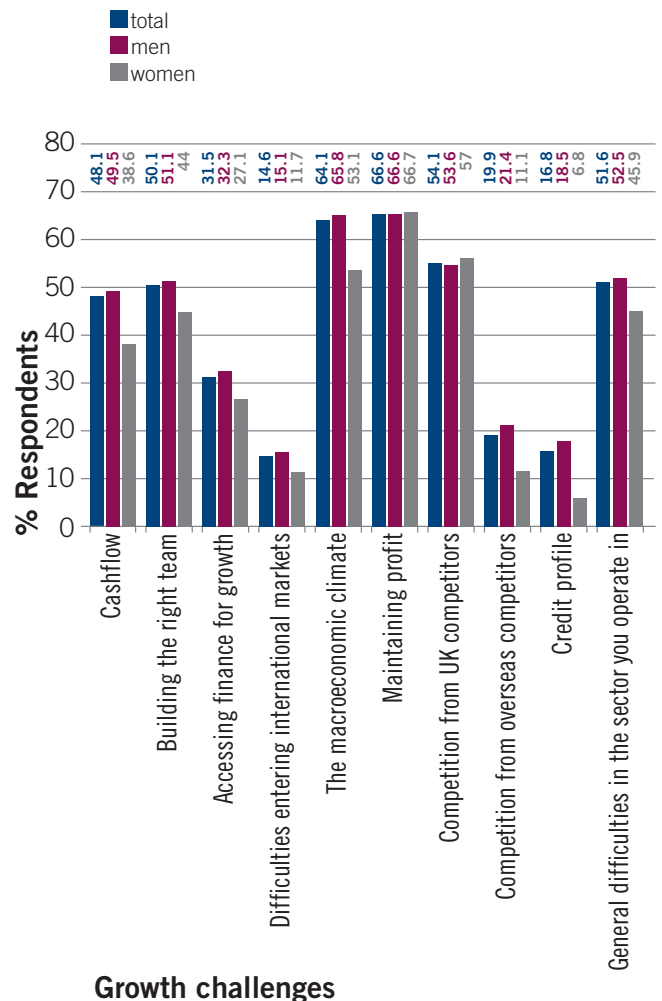


Figure 11: Challenges for growth

Debbie Croxford
AllRound Productions

Debbie Croxford is a co-founder of AllRound Productions which installs graphics in shops, shopping centres and for exhibitions. She and her co-founder know the market very well indeed, having had 20 years experience of it between them and this she views as invaluable: “Our turnover has doubled each year since we started,” she says. “It’s £500,000 now and we can get much bigger.” They set up as a spin out from an existing graphic production company who suggested they could act as installers for them and others. Thus they had a customer base, knew who were the potential clients and had the experience to take the business further.

They are giving serious thought to expanding in the UK, the rest of the EU and in the US. This will mean employing more installers but will be the same relationship – all freelance. The current set up is lean with 2 employees and all the work subcontracted to freelancers. Expansion will follow this business model. “It works, so why change it?” The growth aspirations centre around market share and turnover.

At the moment they do 40 % exhibition work and 60% retail outlets, including the newly opened Westfield. Debbie has identified areas for expansion in the exhibition sector for clinical trials, a market in which she expects to obtain a lot of additional work. “The wider economy is fine for us at the moment. Retail is OK. There are new shops opening at the moment and although exhibitions are static, we’re alright.”

As all of AllRound Production’s work is from recommendations, so their client relationship is vital. That is their best selling point. Current work gives them their next piece of work. That means placing a high focus on loyalty, efficiency and meeting all of their clients’ needs. Terms are strictly 28 days. These have not changed and are unlikely to. They have high upfront costs per job and expect the honesty to be on both sides. The reputation the company has built up is the key to their continued success.

The gender differences in the challenges faced by founders that illustrated in Figure 11 are marked, but suggest that women are less fazed by the challenges of the current economic climate than their male counterparts:

1. Just over 50% of women responded that the macroeconomic climate was presenting immediate growth challenges to their businesses compared with nearly two thirds of men.
2. Women are more than half as likely to say that their immediate credit profile is a challenge to growth and only 27% of them say that access to finance is a problem compared to nearly a third of men.
3. Women are more likely to see UK competitors as a challenge to their growth.
4. Men and women are equally likely to see maintaining profitability as a challenge to growth.

It would be misleading, however, to present the financial crisis in too negative a light. The general response of entrepreneurs throughout the study has been to carry on, even if the going is tough.

To illustrate how founders are managing two indicators were created from questions about the general operating environment were created:

- > The internal environment (marketing, cashflow, team building, stock management, intellectual property, relationships with external advisors and delegation, internal impacts of the external macroeconomic climate, self motivation and sales).
- > The external environment (regulation, taxation, access to research in universities, advice from professionals, advice from networks and support agencies, process of accessing grants, recruiting people with the right skills and finding the right commercial office space).

As with previous measures, a mean response was created where 3 is neutral, anything above that suggests a positive impact and less than 3 is a negative impact. The average for the internal management environment for the UK is 2.6 but for men is 2.55 and for women is 2.65, which is statistically significant. The mean response for the external environment overall was 2.8. For women the mean was 2.9 while for men the mean was 2.7. These are also statistically significant.

Reflections

This is first attempt at measuring the growth potential and growth paths of women-owned businesses compared to men and in that sense will have raised more questions than it has answered. However, there are a number of points that the analysis has highlighted:

- > There are no significant differences between men and women, once their companies become established, in terms of the levels of investment or the growth potential of their businesses.
- > Women are more likely to use social enterprise business models but the numbers are very small and, like their male counterparts the predominant business model is a for profit one.
- > Women access bank finance rather than more networked forms of finance such as informal investment. They also access support and advice from multiple sources and are likely to value that advice more highly.
- > Women rate the value they create for their businesses both financially and non-financially more highly.
- > Women appear to be less fazed by the challenges of the immediate economic context.

The Data Elephant

Whatever the inadequacies of the evidence base thus far, the commitment towards promoting women's enterprise is clear. The UK government has done much to stimulate activity and awareness of women's enterprise issues through the original Strategic Framework for Women's Enterprise in 2003, the Women's Enterprise Task Force established in 2006, through the Ambassador programmes regionally and through the Enterprise Strategy, published in March 2008 which provided a commitment for half of a £25 million co-investment Women's Investment Fund and for regional Women's Business Centres to support women in their local and regional geographies.

The next stage is to provide the longitudinal and comparative evidence base such that the market failures experienced growth-oriented female owned businesses can be identified and understood. This literature search and the COGS study is a first step in the process of doing just that and concludes that if we are to generate sustainable women-owned and led businesses then we do need to ensure that the evidence base can support this type of policy by:

1. Providing a regularly updated quantitative picture of the entrepreneurial and Small and Medium sized Enterprise (SME) sectors that is gender disaggregated. This would mean using current business statistics collation (for example through the Inter-Departmental Business Register (IDBR) and HMRC and coordinated through the Office of National Statistics (ONS)) to ensure that gender and ethnic origin were routinely recorded on Companies' House data. This would mean that business statistics such as turnover estimates and performance indicators from company accounts could be analysed by gender and ethnicity.
2. A regular survey-based vehicle that captured the experiences and growth estimates of entrepreneurs themselves to estimate

how many of the companies fell into "missing middle" or "high growth" categories, their enterprise "journeys" and to calculate firm level productivity and returns on investment.

The Policy Elephant

There is a sense in which this report could almost represent a rebuttal of the current initiatives to support women-owned businesses: after all, if there are no growth or value creation differences and if the motivations of male and female founders are similar, then why provide support disproportionately to women?

The answer is very simple. Just 13.6% of the sample of 1,800 "survivor growth-oriented founders" that we surveyed are women. If this number is to grow then policy needs to focus heavily on enterprise support for women between the earliest stages of start-up and the growth phase represented by this survey. If more women founders classified as growth oriented, then the resultant increase in entrepreneurial business stock would have a positive contribution to UK productivity and value-added.

This suggests that there are four key areas on which the work of those engaged with women's enterprise support should focus:

- > Addressing the issue of why so many women exit between the earliest stages of business development and the more established stages covered here.
- > Providing business support that both focuses on retaining women entrepreneurs and that is diverse to reflect the diverse nature of support that women access.
- > Broaden the types of growth finance available to women, especially informal investment, since at present, women's finance is predominantly bank-based. While this is not a bad thing in itself, it does mean that women are not always accessing the most appropriate form of growth finance.
- > The Aspire Fund is a £25m opportunity to provide flexible growth finance that addresses both the challenge of attrition and the challenge of sustainability. Were this fund to be linked to access to public sector procurement contracts and mentoring support through the growth process, this would provide a multi-layered benefit in terms of access to growth finance, mentoring as well as board level support and access to contracts through the growth phase when cashflow can represent particularly severe challenges. This is a well-trodden path in microfinance, but equally applicable to a publicly-funded growth finance model as well.

Appendix 1: Data for charts

Figure 2: Primary motivation of company

	total	men	women
Return to investors or shareholders	9.7	10.6	3.9
Profit for owners	86.9	86.8	87.9
Utilise surplus for social/not for profit objectives	3.2	2.5	7.8

Figure 3: Reasons for exiting previous business

	total	men	women
Sold or merged the business	43.0	40.9	58.0
Closed the business and ceased to trade	33.8	37.4	28.0
Made redundant from previous business	4.4	4.7	2.0
Resigned from previous business to pursue other goals	13.2	14.7	2.0
Retired	0.6	0.9	0.0

Figure 8: Percentage actual turnover growth in bands

	men	women
0-24	4.9	4.5
25-99	16.0	17.1
100-199	19.5	23.4
200-299	13.6	16.2
300-399	6.8	9.9
400-499	9.7	2.7
500-599	4.3	7.2
600-699	2.0	0.9
700-799	4.2	3.6
800+	19.0	14.4

Figure 9: expected turnover growth in next three years (%)

	men	women
0-49	37.8	55.6
50-99	27.0	8.9
100-199	22.0	21.0
200-399	8.4	12.1
400+	4.8	2.4

Figure 10: Year in which growth was the greatest

year	employee growth	turnover growth
2	16.4	13.4
3	25.0	26.9
4	14.7	20.8
5	9.5	14.9
6	9.7	8.9
7	11.0	5.5
8	5.1	4.2
9	5.1	3.2
10	2.9	1.8

Figure 11: Mean year when growth greatest (men and women compared)

	Mean for greatest employment growth	Mean for greatest turnover growth
total	2.7	2.4
men	2.6	2.4
women	3.3	2.3

Figure 12: Turnover growth by gender

	total	men	women
0-99,999	63.0	5.4	15.2
100,000-999,999	69.8	70.5	63.4
1m-4.99m	20.5	20.7	18.8
5m-9.99m	2.1	2.1	1.8
10m+	1.3	1.3	0.9

Figure 13: % Return on Investment, men and women compared

	total	men	women
0-49%	4.8	4.5	8.0
50-99%	4.8	4.0	13.0
100-499%	19.6	20.3	13.0
500-999%	13.3	14.3	4.0
1,000-1,999%	17.5	17.2	20.0
2,000+	40.0	39.8	42.0

Figure 14: Immediate growth challenges, men and women compared

	total	men	women
Cashflow	48.1	49.5	38.6
Building the right team	50.1	51.1	44.0
Accessing finance for growth	31.5	32.3	27.1
Difficulties entering international markets	14.6	15.0	11.7
The macroeconomic climate	64.1	65.8	53.1
Maintaining profit	66.6	66.6	66.7
Competition from UK competitors	54.1	53.6	57.0
Competition from overseas competitors	19.9	21.4	11.1
Credit profile	16.8	18.5	6.8
General difficulties in the sector you operate in	51.6	52.5	45.9

Appendix 2: Policy and the gaps in the evidence base: literature search background, methodology and findings

Academics and policy-makers alike point to the importance of female-owned businesses as a source of productivity for the economic growth whether in the UK¹⁸, the US¹⁹ or Europe²⁰. Research over the past ten years has substantially increased in volume²¹, has done much to demonstrate the prevalence of women's entrepreneurship in the labour market²² and has highlighted some of the systemic barriers that women face when setting up a business²³.

However, there are still relatively few published papers and datasets in the UK or internationally that explicitly set out to measure the performance of women-owned and managed businesses either in comparison to their male counterparts or in comparison to other women-owned businesses²⁴. There are still fewer publications that look at women from Minority Ethnic Communities²⁵. The result is the "Missing Middle" of women entrepreneurs referred to above, and including those from Minority Ethnic groups, who potentially contributes much to the economy but about whom we know relatively little.

This appendix is an overview of existing available data in tabular form. Figure 12 looks at the organisations where data is held or collected, the vehicle used to collect the data, the focus of the data (in other words what researchers have sought to achieve in constructing the data set), the method and frequency of collection, whether or not it gender disaggregates and whether or not it is capable of providing economic or social impact and value creation measurements.

It analyses these in five groups:

- 1. International datasets:** these are regular statistical datasets that, where possible, provide data on entrepreneurial and small firms which are comparable with other countries. Such datasets are often compilations from national statistical offices and therefore are nevertheless limited in terms of the frequency of data collection, the variables collected and, most worryingly, the definitional assumptions that underpin them. An example of this is the extensive use of Value Added Tax (VAT) registration and de-registration data in the UK to proxy for start-up activity as well as for businesses closures – an approach that does not directly compare to business registration and de-registrations with statistical agencies in other countries.
- 2. National, or country specific datasets:** this is not an exhaustive list but is intended as illustrative of best practice. Thus, for example, the Nordic countries, and Denmark in particular, disaggregate business registration statistics allowing an understanding prevalence and scale but do not have the turnover, innovation and investment data that is available for all businesses disaggregated by gender. The US Census Bureau collects data that allows scale and revenues to be calculated by gender and ethnicity but has two major limitations: it does not appear from this overview to have data that allows an accurate assessment of productivity to be constructed and the frequency of the survey is once every five years. The last survey was 2002 with 2007 data unlikely to be analysed and available for further analysis until 2010²⁶.

- 3. UK government-specific datasets:** There are several sources of data that are routinely used for assessing the prevalence, scale and scope of entrepreneurship as well as for looking at the attitudes and motivations of entrepreneurs. Some are survey-based vehicles such as the Labour Force Survey (LFS) and the Household Survey while others are quantitative in nature such as Value Added Tax (VAT) registration data. Arguably these serve different purposes: the LFS allows a gender and ethnicity disaggregation but does not tell us much about the motivations of entrepreneurs or the challenges that they face. Instead, they are helpful as a mechanism for telling us about the levels of activity within the labour market but tell us little about growth potential or about the growth challenges overcome.

- 4. Regional data in the UK:** The Regional Development Agencies (RDAs) sponsor a national business survey but this is essentially a survey of the business confidence of the business sector. It provides regional comparisons but does not appear to be gender disaggregated. Similarly, the Regional Observatories collect VAT registrations and de-registrations and LFS data often down to ward level. Some have boosts to the Household Survey and some have gender specific interpretations but the comparability of their approaches and the extent to which data is routinely gender or ethnicity disaggregated is limited. The Department for Business, Enterprise and Regulatory Reform (BERR) Annual Small Business Survey (ASBS, to be conducted biennially from now onwards) provides a rich data source of attitudes and experiences that is regionally disaggregated and that gives some gender and Minority Ethnic Group disaggregation. It allows for growth experiences or barriers to be assessed in their last year although it does not have the capacity to generate proxies for Gross Value Added (GVA), Return on Investment (RoI) or Social Return on Investment (SROI).

18. BERR, 2008: "Enterprise: Unlocking the UK's Talent."

<http://www.berr.gov.uk/files/file44992.pdf>; Harding, R. (2007): "The State of Women's Enterprise in the UK." Prowess; Carter, S. and Shaw, E. (2006): "Women's Business Ownership: Recent Research and Policy Developments." BERR 2006.

19. De Bruin, A., Brush, C. and Welter, F. (2007): "Advancing a Framework for Coherent Research on Women's Entrepreneurship." *Entrepreneurship: Theory and Practice* May 2007, pp 323-339; National Women's Business Council (2006): "Women-owned firms, 2002" US National Census Bureau Survey of Business Owners, Company Statistics, 2002.

20. <http://ec.europa.eu/enterprise/entrepreneurship/women.htm> see also Hoeg-Koch, D. (2008): "Kvinder Kan: Få succes med egen virksomhed."

<http://www.ebst.dk/file/16595/kvinderkanfaasuccesmedegenvirksomhed.pdf>

21. Blackburn, R. and Smallbone, D (2008): "Researching small firms and entrepreneurship in the UK: developments and distinctiveness." *Entrepreneurship Theory and Practice* March 2008 pp 267-275

22. See discussion above and references to Harding (2005, 2007) and Carter and Shaw's (2006) work.

23. Fielden, S., Davidson, M., Dawe, A. and Makin, P. (2003): "Factors inhibiting the economic growth of female owned small businesses in North West England." *Journal of Small Business and Enterprise Development* Vol 10, No 2, 2003, pp 152-166

24. Notable exceptions include Verheul, Carree and Thurik 2007, National Women's Business Council 2006, Gundry and Welsh 2001 and Manolova, Carter, Maneu and Gyoshev (2007). The important thing about the comparison within genders is that it allows analysis of the heterogeneity of the types of women-owned businesses. Not all women can be assumed to have the same aspirations and understanding this type of diversity allows policies to be more effectively targeted at specific market failures.

25. Deakin, Ishaq, Smallbone, Whittam and Wyper 2007; Fraser, 2008.

26. Email exchange with Julie Weeks of Womenable and email correspondence with Wilma Goldstein of the Small Business Administration.

5. Academic research sponsored and/or used by national governments: There are two main data sources here: the Global Entrepreneurship Monitor (GEM) which provides household survey type data on the prevalence of entrepreneurial activity generally and by gender (although not internationally by ethnicity) in 42 countries using an identical methodology. Like the LFS and the Household Survey its strength is on the demand side of entrepreneurship by estimating levels of prevalence of early stage entrepreneurial activity in the labour market. It cannot tell us much about the high growth potential entrepreneurs and their businesses. The UK Survey of Small and Medium sized Enterprise Finance (UKSMEF). This latter survey identifies growth potential and finance requirements of the SME sector by gender and was boosted after its first wave for ethnicity as well.

Summary of Strengths and Weaknesses

What is clear from Figure 12 is that, despite the interest in women-owned businesses nationally and internationally, very few of the datasets are routinely gender disaggregated and none appear capable of assessing performance either in

terms of Gross Value Added or Return on Investment or in terms of their social impact. Where there are gender disaggregations, these are usually to understand the prevalence or level of female business ownership, such as the World Bank Enterpriser survey. Conversely, where the datasets appear to have the capacity to analyse productivity, such as the OECD Structural and Demographic Business Statistics (SDBS), there is no gender disaggregation.

This may be because of the way information for initial sample frames is constructed. For example, registration for VAT and registration and Companies House do not require the gender or ethnicity of the “founder” or of directors to be recorded. As a result, large datasets like the Inter-Departmental Business Register or HM Revenue and Customs company taxation data do not have the capacity to provide the Office of National Statistics with gender disaggregated data. This also means that commercial datasets, like Dun and Bradstreet, do not have the capacity to gender disaggregate routinely hence any survey-based work has deliberately to boost for women-owned businesses.

Table 1: International and national entrepreneurship and SME data sets and programmatic research

Organisation	Vehicle	Focus	Method	Frequency	Gender/ethnicity breakdown	Capacity to analyse economic or social impact
International Sources						
World Bank	Enterpriser survey	Developing and emerging economies	Private contractors surveying local random stratified samples based on national registrations	Annual	Gender only: prevalence	Yes, but only for all businesses; not gender disaggregated
International Finance Corporation	Enterpriser survey (as World Bank) and country-based cases	Access to finance	Private contractors	Ad hoc in line with national programmes	Yes – cases all of women and their access to finance through Gender Entrepreneurship Markets Programme	No
OECD	LEED programme local based qualitative surveys plus women’s programme	Understanding local social cohesion	Desk research and visits	Evolving since 2003; no reporting on gender programme yet	No gender or ethnicity outside of social cohesion work. That programme does not appear to have reported ²⁷	No except qualitatively
OECD	Structural and Demographic Business Statistics	Developing coherent, internationally comparable entrepreneurship data	Collation of national datasets from statistical offices	Varies depending on frequency of national data collection; comparability acknowledged to be limited; most recent full dataset 2002	No gender or ethnic disaggregation	Yes but not by gender (productivity and growth potential)
European Union/DG Enterprise	Flash Eurobarometer	Establishing attitudes towards self employment	Telephone-based opinion poll: 1000 in participating nation states	Annual (last report, 2007)	Employment preferences and reasons by gender	No
Eurostat	Structured business statistics	Statistical survey of business registrations or administrative sources	Requests to national statistics offices; business level statistics from company accounts held with Companies House equivalents	Annual data requested but subject to same constraints as OECD	None	Potentially – OECD have done this

27. Email has been sent to programme director to ensure this is the case but at time of writing, no response was forthcoming

Organisation	Vehicle	Focus	Method	Frequency	Gender/ethnicity breakdown	Capacity to analyse economic or social impact
International, country specific data						
FORA/EBST Denmark ²⁸	Business Statistics	Understanding gender differences in prevalence and scale within SME population	National agency registration data	First report in 2008	Disaggregates for gender	Potentially – as data is collected by FORA for whole business population on innovation but not disaggregated as yet
US Census Bureau	Survey of business owners + consolidation with boosted data for women-owned and minority ethnic groups	Type of customer, capital requirements, location, size of establishment, legal status, finance required, turnover	Postal survey of 72.6% of US business stock	Five yearly (latest available is 2002 with 2007 results expected in 2010)	Both gender and ethnicity by geography in the US	Yes in terms of revenues and employees but not in terms of GVA or RoI
UK Specific Data Sources (BERR/ONS datasets)						
BERR Enterprise Directorate	Annual Small Business Survey	Monitors characteristics, perceptions, growth barriers and intentions of SMEs	Telephone survey; last survey conducted November 2006-Feb 2007; 9905 SMEs of 0-250 employees (stratified random sample)	Annual since 2003. To be biennial	Yes, although specific reporting limited	No capacity to calculate firm level productivity or RoI
ONS SME statistics	Drawn from the Inter-Departmental Business Register	Size and scale; can be used as sample frame	Estimates for turnover taken from triangulation with VAT registrations. Estimates made for non-VAT registered firms	Annually updated	No reporting although possible	No
VAT registrations and self-assessment data	HMRC	Can indicate start up and closure as well as turnovers	Compiled from HMRC data for VAT registrations	Quarterly	No and problematic as VAT registration forms do not require data on owner/director	No (although ONS estimates turnover by triangulation with IDBR)
Registration data	Companies House	Start up and closure for all businesses older than 18 months	Annual company returns	Annual	No but names are recorded and Roper argues that the majority of female owned businesses could be captured using the names	Publicly available – would be possible for secondary analysis to be conducted
Annual Business Inquiry	ONS	Indicates GVA	Annual data on employment and financial performance covering 2/3rds of UK economy	Annual but data released after 2 years	Not gender disaggregated	Yes
LFS	Telephone survey	Levels of employment/self employment	Initial face to face then telephone follow up survey of adult population	Quarterly	Yes: gender and ethnicity included	No: only measures prevalence

28. Email correspondence with Anders Hoffman and Dorte Hoeg-Koch from FORA/EBST suggested that Sweden and Norway also collect national business data by gender.

Organisation	Vehicle	Focus	Method	Frequency	Gender/ethnicity breakdown	Capacity to analyse economic or social impact
Private Sector Or Academic Sources Used By Government						
Global Entrepreneurship Monitor	Telephone survey (or face-to-face in countries where this is not possible)	Prevalence of "TEA" (early stage entrepreneurial activity up to 42 months)	Household survey/poll; minimum sample size 2000 but regional boosts in UK allow more detailed analysis	Annual	Gender included in all countries; ethnicity only in UK and sample size small; entrepreneurs only – not their businesses	Only in terms of job creation and job creation potential
Centre for Business Research, University of Cambridge	UK SME finance Survey	To test for market failure in SME credit market	Telephone and online survey; 2514 SMEs (0-250) in 2007 (owners or FDs)	Three yearly (last 2004); ethnic boost 2005 ²⁹	Gender and ethnic disaggregation	Not in terms of productivity but access to finance and high growth identified
Barclays Bank	Gender disaggregation of new business bank accounts	For information but no analytical commitment	Bank account forms and survey	Quarterly	No detailed gender or ethnic disaggregation	Unknown
Regional Observatories ³⁰						
East of England No obvious gender disaggregated data available on website; have used GEM for gender and ethnic data; have VAT stock data to local level at start of year						
East Midlands Data collection focuses on evidence needed for RES evaluation; VAT data and use GEM for gender disaggregation; reporting on ethnic minority survey.						
London Women in London annual report but not just about economic role and is not about business; London does not have an "Observatory" but does boost the Household Survey to understand demand side						
North East Use GEM for gender indicators (TEA); regional/sub-regional VAT data; business registration and deregistration by head of population						
North West Evidence for Regional Economic Strategy evaluation;						
South East Business stock; firm size and number of enterprises, survival rates and VAT registrations; no recent reporting on female businesses apparent (report dated 1970); "Female-owned business in the South East" published in 2008 by the Office of National Statistics in the South East is an analysis of Labour Force Survey data and differentiates between business ownership and self employment.						

29. Fraser, S. (2008), using data from this boost, finds that ethnic minority groups, particularly Black and Bangladeshi groups experience poor credit outcomes even though there is no evidence of systemic ethnic discrimination. They get poorer deals in terms of interest rates and have more credit denials because of worse repayment track records which in themselves should be seen as "non-ethnic risk factors" rather than direct discrimination.

30. This table is based on a desk-based search of websites and therefore does not include data analysis or collection where this is not publicly available through websites

Academic Studies

This section is a summary of 12 out of 85 studies drawn from a sample of 500 articles on entrepreneurship and gender that focused specifically on the performance and/or performance potential of women-owned or led businesses. The studies were selected from:

The major entrepreneurship conferences globally (including the BCERC and ISBE).

- > A Web of Science search of academic publications.
- > A search through the Emerald Publishers database.
- > Specific searches of the top three entrepreneurship journals: Small Business Economics, the Journal of Business Venturing and Entrepreneurship Theory and Practice.
- > Search of major known entrepreneurship research centres internationally.
- > Google scholar search.

What is immediately apparent from Table II is that all of the studies covered look at influences on strategy or performance from gender-based, or systemic, differences. There are two exceptions to this: first the paper by Gundry and Welsch (2001) based on 832 women-owned and led businesses compares within rather than between genders. Second Chandler, Jansen and Nero (1995) look at how women business owners perform in terms of opportunity identification and economic management versus career expectations in traditional and non-traditional sectors. In other words, there is a de facto assumption that gender differences in themselves explain differences in performance. Yet Kim's paper (2006) suggests that if similar groups of men and women are studied (for example in terms of successful access to finance) then there is no evidence for gender-based differences in performance, although there may be in terms of the terms and conditions attached to offers finance with men actually achieving worse financing packages because of their perceived lower credit worthiness.

The other important point is that none of the studies uncovered as part of this research look specifically at measuring the economic or indeed social performance of businesses either within or between genders. This is partly because the available public data sources, as demonstrated in Table II do not have scope for this type of analysis. But it is also because the studies are often very small and the outcome of dedicated research projects grounded in theoretical disciplines rather than attempts to address gaps in the evidence base.

Summary of Strengths and Weaknesses

There are two striking issues that came out of the literature search:

1. Where academic studies have looked at performance in relation to strategy or attitudinal variables, sample sizes are very small and localised. This may be because the international/national data sources that might otherwise be used are not gender disaggregated. As a result, researchers have to generate their own datasets for analytical purposes. Since extracting women-owned businesses from general sample frames is tricky and expensive, researchers tend to select samples from women's business membership organisations or conduct smaller or qualitative surveys. Exceptions to this are the US National Women's Business Research Centre work which is based on the US 2002 business census and the 'Gender Differences in Business Performance: Evidence from the Characteristics of Business Owners Survey'.³¹
2. Studies tend to focus on general "performance" (specifically job creation and turnover) but do not look at the potential for growth of women-owned businesses. This is potentially for two reasons. First, the link between entrepreneurial activity and macro economic growth is contested and has only in the past few years established a formal body of literature using economic growth modelling³². As yet, there is no published gender disaggregation of this work. Second, there is a persistent interest in the attitudinal or behavioural differences between men and women that underpins much of the research on performance. This means that researchers are not examining the question, "How do female firms create wealth and value" but rather, "Why do female and male firms perform differently". The former question allows us to understand market failures in support for women's enterprise; the latter simply leads to the conclusion that men and women are different!

31. See <http://ftp.iza.org/dp3718.pdf>

32. Audretsch, D., Keilbach, M. and Lehmann, E. (2006): "Entrepreneurship and Economic Growth" Oxford University Press, Oxford

Table 2: Academic research papers on women's entrepreneurial performance

Author and year	Paper title and publication	Scope	Method	Results
De Bruin, Brush and Welter (ETP 2007)	Advancing a Framework for Coherent Research on Women's Entrepreneurship	To address the need for systematic research perspective/framework for inclusive approach to women's entrepreneurship	Editorial/review study	Performance of female owned firms is a function of work-life balance and choices embedded in macro and micro contexts: requires multi-level approach to understand
DeTienne and Chandler (ETP 2007)	The role of gender in opportunity identification	To assess opportunity identification differences by gender since they are a source of competitive advantage	Survey of 95 senior undergraduates and 189 high tech entrepreneurs from two sectors	Men and women use different processes but neither is intrinsically superior
Gundry and Welsch (2001) JBV 16,453-470	The Ambitious Entrepreneur: high growth strategies of women-owned enterprises	To understand the underlying factors in ambitious growth companies in terms of the strategies and motivations of the entrepreneur	832 women-owned businesses responding to postal survey; Likkert scale responses and self reporting	High growth entrepreneurs take a more structured approach to organising their business in terms of market growth and technology. They have a stronger commitment to success and will make sacrifices accordingly
Anna, Chandler, Jansen and Mero (1995) JBV 15 279-303	Women Business Owners in Traditional and Non-Traditional Industries	To look at within gender differences in success (measured by sales) in traditional and non-traditional sectors	170 women business owners in Utah and Illinois surveyed	Women in traditional sectors created success through venture efficacy, and strong desire for autonomy and money in career. Women in non-traditional sectors created success through planning and security
Manolova, Carter, Manue and Gyoshev (ETP, 2007)	The differential effect of men and women entrepreneurs ' human capital and networking on growth expectations in Bulgaria	To understand how human capital and networking affect company growth expectations	544 Bulgarian new venture owners	Women owned businesses had higher growth expectations with prior greater experience while for men growth expectations improved with networking
Verheul, Carree and Thurik 2007, Max Planck Institute, Jena, Working paper	Allocation and productivity of time in new ventures of female and male entrepreneurs	To understand how time allocations versus experience affect productivity	Labour economics time allocation models; 1203 Dutch entrepreneurs; 1994 and 1995 dataset	Experience for both men and women was positively related to productivity; women spend less time in their businesses but have lower levels of human, social and financial capital (i.e. experience) and are therefore less productive
Cosh, Hughes, Bullock and Milner (2008); CBR Cambridge report	Financing UK SMEs: the 2007 survey	Assessment of market failures in access to finance for SMEs	2007 sample of 2514 enterprises (telephone and online)	Significant gender differences in decision making about seeking finance and growing firms
SBA and National Women's Business Council (2004-2006)	Women of Colour factsheets	To establish the contribution of minority ethnic women to the economy	Analysis of 2002 US Census Bureau data	Firms owned by women of colour grow 6% faster than all US firms.
SBA and National Women's Business council (2006)	Key contributions of women-led businesses	To establish the contribution made by women-owned businesses	Analysis of 2002 US Census Bureau data	\$306bn generated in revenue and \$56bn in payroll expenditure; rankings by region
Carter, S (2000 ³³) Education and Training, Vol 42 (4/5) 326-333	Improving the number and performance of women-owned business: implications for training and advisory services	To analyse for gender related differences in prevalence, motivation, support, finance and performance	Review article and assessment of LFS data	Hard measures on performance suggest that women-owned businesses are smaller in terms of turnover and employees
Womenable (2007) with the Centre for Women's Entrepreneurship, Chatham University Womenable research Brief	Mapping the "Missing Middle": determining the desire and dimensions of 2nd stage women business owners"	To understand more about the women business owners who own established businesses that have not yet grown (\$100k-\$1m turnover and more than 3 years old)	227 National Association of Women Business Owners members responded to online survey; 92 met definition of "missing middle"	"Missing Middle" have strong growth aspirations, are looking for support and value mentoring. Some 91% of all women owned businesses fall into this category (or 16% if micro businesses are excluded)
Kim (2006) BCERC, June	Is success the same for men and women entrepreneurs?	Compares successful women entrepreneurs with their male counterparts in terms of access to finance and financial performance	3651 entrepreneurs drawn from Federal Reserve's survey of SME finances (1998 data: 1/3 women)	Women find accessing finance more difficult but men get worse credit conditions if successful. No evidence of under-performance by women of similar profile to men

33. Carter has written multiple articles on the potential and drivers of women's entrepreneurship, most lately the review piece (2006) for BERR: "Women's Business Ownership: recent research and policy developments. The cited article is the one that deals explicitly with performance issues and is more recent than the Small Business Economics article (1996): "Gender as a determinant of small business performance" (with Rosa, P., and Hamilton, D.)

Plugging the Data Gaps

The research and data sets above do not provide sufficient, comparative and robust data that is gender disaggregated to be useful for the future evidence based policy making as they are currently constituted. Women's enterprise support in the public and the private sector rests on an assumption that women do indeed make a valuable contribution to economy and society and while much of the support measures have been based on anecdotal evidence, if we are to generate sustainable women-owned and led businesses then we do need to ensure that the evidence base can support this type of policy by:

1. Providing a regularly updated quantitative picture of the entrepreneurial and SME sectors that is gender disaggregated. This would mean using current business statistics collation (for example through the IDBR and coordinated through ONS) to ensure that gender and ethnic origin were routinely recorded on Companies' House data. This would mean that business statistics such as turnover estimates and performance indicators from company accounts could be analysed by gender and ethnicity.
2. A regular survey-based vehicle that captured the experiences and growth estimates of entrepreneurs themselves to estimate how many of the companies fell into "missing middle" or "high growth" categories, their enterprise "journeys" and to calculate firm level productivity and returns on investment.

There are clear aspects of data that need to be collected in order to calculate actual company performance, some of which can be estimated qualitatively and some of which should be measured systematically through quantitative national statistical sources. For example:

Gross Value Added: this is an input-output measure of productivity that demonstrates the actual contribution that individual firms make to a region's or a country's economy. It can be proxied through survey data by measuring sales turnover (output) and investment capital, profitability and numbers of employees (inputs) using a standard Cobb-Douglas Production function³⁴. However, this is indicative only and should be supported by quantitative data that looks at investments by type and expenditure by type in relation to turnover. This type of information comes directly from company accounts or tax returns and can be collected through Companies House/IDBR type sources or HM Revenue and Customs and disaggregated by gender since the founder or owner's name is on the company registration documents.

Return on Investment: Survey vehicles, if they collect data on investment and turnover can give estimates by firm and firm type (and of course gender and ethnicity) of return on investment. Quantitatively this is accounting data that is kept at Companies' House.

Social Return on Investment: This is a highly contested term and there is no one agreed way of calculating it. One approach is a survey-based one which looks at levels of investment against monetised social returns. This however is difficult since many entrepreneurs do not set out with a goal of measuring their own social returns and this would thus be expensive to establish. It would be very difficult, if not impossible, to establish at a national, quantitative level since firms of any size are not required by law to engage in social reporting.

Closing the Data Gap

In a sense, this literature search has not uncovered much that we did not know already. There is limited data that is available to analyse the economic and social impact of women-owned businesses and we understand little about their actual growth paths, challenges and experiences. Where data is available, it is localised or, where it is comparative, either based on household-survey type data (like the Global Entrepreneurship Monitor or Flash Eurobarometer data both of which have very small sample sizes in some countries).

However, it has demonstrated that there are data sets, such as the OECD's Structural and Demographic Business Statistics that have the capacity to analyse impact. The fault of these is that they are neither gender-disaggregated nor routinely and regularly collected across countries. Even so, it suggests that it is possible to collect the relevant information (turnover, costs, employment levels and so on) and should therefore also be possible to collect gender and ethnic background information.

There are, then, a number of recommendations for data collection that come from this literature search:

- > The fact that there is no routine demographic information like this collected may suggest that there are either ethical or legal reasons for not collecting it. The case for collecting gender and ethnic background data at the point of company registration is simple: without it, we can never reach the point where the evidence base is substantial enough effectively to analyse company performance by demographic group and, hence, provide an evidence base for policy. Before any further steps are taken, policy makers should be clear that there are no legal or ethical barriers to the collection of such data.
- > The best business data that is gender disaggregated and quantitative is through the US Census Bureau. Although the business census is conducted only once every five years, it does allow detailed information on companies to be collected. While this is a costly exercise, and while the data would not necessarily be comparable with other countries, a similar, regular census-style survey does represent an opportunity for collecting a substantial and reliable dataset on businesses.
- > Existing, publicly sourced business data, such as the Annual Survey of Small Business, should be made available to researchers through the UK Data Archive. The Household Panel Survey and many other social statistical sources are available on that site. Apart from the Labour Force Survey, the availability of data on entrepreneurship is limited on that site.
- > A potential source of gender disaggregated data on actual turnovers, profitability and self-employed data for SMEs is HMRC. There may be scope for exploring a pilot study to provide such data.
- > Finally, any quantitative and large scale data should be supported with substantial and regular qualitative and survey-based information that allows productivity, return on investment and social impact to be estimated. The survey should have the capacity to be internationalised using identical methodologies but should focus on business growth and development rather than prevalence allowing comparisons in support structures and market failures to be made.

34. See for example, Harding, Cowling and Turner (2005): "The Missing Link: from productivity to performance" The Work Foundation, London.

The National Policy Centre for Women's Enterprise (NPCWE) provides a central knowledge base for research and data related to women's enterprise. The NPCWE, funded by BERR works at national, international and regional levels, collaborating with strategic partners to facilitate best practice and knowledge-sharing to create a long term increase in the number of sustainable women-led businesses.

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