



WECOE

WOMEN'S ENTERPRISE
CENTRE OF EXPERTISE

Policy Briefing

**Women's Existing Businesses
in the West Midlands**



The regional leader for
developing economic prosperity

WECOE

POLICY BRIEFING

Women's Existing Businesses in the West Midlands

Research conducted by Delta Economics

Foreword by Marla Nelson, Director, WECOE

"We can't afford to waste any business talent. Broadening participation in enterprise is vital to tackling the economic and social challenges the UK faces today. For Britain to emerge from the downturn in the strongest position, we need all of our talented people to maximise their business potential. We are committed to ensuring that those under-represented in business are given every opportunity to turn their ideas and aspirations into successful enterprises."

Business Secretary Lord Mandelson

Entrepreneurship is an important driver for economic growth, competitiveness and job creation. Stimulating entrepreneurship is an important challenge for the UK as a whole.

The importance of women as a largely untapped pool of entrepreneurial talent has been widely recognised within the West Midlands region, with Advantage West Midlands, the Regional Development Agency funding the creation of four *Enterprise Centres of Expertise*, to address the fact many under-represented groups are not featured within Enterprise – namely; Women (WECOE); those from Black and Minority Ethnic groups and communities (CRÈME); Young people

(YPECOE); and Social enterprise (Social Enterprise West Midlands). Over the past two years, (Dec 07-09) WECOE have provided a range of strategic, policy driven support for the wider development of the Women's Enterprise Agenda across the region.

Our role was to build the economic case for women's enterprise, to be a "voice" for individuals and organisations helping women start and sustain their own businesses, and to influence the development of enterprise policy and practice – ensuring the development of a more effective and appropriate 'women-friendly' business support infrastructure and culture across the region.

Creating the conditions that allow women to start and grow their business, exploit their ideas and ensure they have access to high quality support is vital, if the West Midlands region is going to bridge a widening gender gap, when it comes to entrepreneurial activity.

An escalator of support and a more holistic approach to women in business must be considered as a viable element of the “solutions mix”, if the intention is to decrease the regional output gap.

More women-led enterprises are needed to increase the stock of businesses and to contribute to economic growth and innovation. SMEs represent 99.9% of Britain’s business community with women-led SMEs representing 15%, contributing £45 billion to GVA per year. However, if women started businesses at the same rate as men there would be an extra 150,000 business created (BIS Enterprise Directorate Analytical Unit estimates).

Women’s Enterprise related policy actions must focus on the development of a “support escalator” to allow women’s business to grow and achieve their full potential. In an output declining environment – raising productivity through innovation & entrepreneurship is KEY to pulling the West Midlands region out of recession. The fact that fewer women become growth orientated entrepreneurs = waste of resources. In terms of focusing specialist targeted support to existing female owned businesses, conservative estimates carried out by WECOGE based on the work we have done during the past two years show that through targeted business support alone the region could generate an additional £2.32bn in value added profit over the next 6 year from women’s enterprise alone.

WECOGE commissioned Dr Rebecca Harding of Delta Economics to produce

a series of regionally focused Women’s Enterprise Papers, focusing on four key areas:

1. Enterprise Culture
2. Start-Up
3. Existing Businesses
4. Access to Finance

Dr Harding was also commissioned by WECOGE to produce an additional report looking at growth orientated women entrepreneurs (sectors, types of business, growth and performance, motivations and challenges) entitled “Challenges and Opportunities for Growth and Sustainability Study” (COGS).

The findings of Dr Harding’s reports lend considerable weight to the fact that we must explore further the way in which business support is delivered, and steps taken towards delivery of a more holistic approach in developing our female entrepreneurs and established business owners.

Confidence, in particular, is a critical issue in changing the mindset of potential women to establish and grow their business. WECOGE’s policy recommendations focus on further developing support in the critical areas of business support, access to finance, procurement opportunities, advocacy and data.

If we can successfully put in measures that help to bridge the regional gender gap, we will be responsible for creating tens of thousands of jobs - adding millions of pounds to the regional economy. In simple terms, this is precisely what the region must aim for.

There is an undoubted economic argument for the women’s enterprise agenda. Women are STILL half as likely as men; are less likely to think they have the skills to set up a business, and less

likely to know other people who have set up businesses.

Despite many initiatives to increase the number of women in self employment/business ownership: the gender gap remains stubbornly wide. Men are almost TWICE as likely to start businesses as women. If women started businesses at the same rate as men, there would be 150,000 EXTRA start-ups each year in the UK.

The development of women's enterprise remains a key Ministerial priority for the Government. Women are the largest under represented group in terms of participation in enterprise, and offer a wealth of untapped talent and economic opportunity.

Closing the gap between male and female entrepreneurship rates across the West Midlands region will significantly boost GDP - women are vastly untapped as an economic force. Increasing female entrepreneurial activity rates across this region, will make a direct and significant impact on regional economic development.

As we emerge from the recession and prior economic crisis, we must jointly elevate our actions towards gender equality in enterprise, as an economic imperative.

“The West Midlands region has seen its Gross Value Added (GVA) increase at a rate of 1.6% year on year. This is below the average GVA growth for the UK as a whole at 1.8% year on year.”
West Midlands Regional Observatory (October 2009): “The scale of the challenge.”

The case for Women’s Enterprise

The policy debate about women’s start-up businesses is confused. On the one hand, it has become a public policy mantra: more women’s businesses mean more economic activity, higher productivity and greater wealth for the economy. If we had levels of business start-up activity amongst women as there is in the US, it is argued, we would have 750,000 more businesses a year creating jobs and giving women opportunities to fulfil their dreams.¹ On the other hand, women are treated as

an “under-represented group”: in the interests of creating opportunities for all, policy needs to provide special support to women as a group that are excluded from enterprise because of their gender.² The first statement speaks to the importance of increasing the number of growth-oriented women’s businesses, the second to working with women to build their human and social capital through skills acquisition, networking, education, training and coaching or mentoring.

Summary

This policy briefing illustrates that, while women’s businesses do have the potential to add substantially to the productivity of the West Midlands (measured through GVA) there are some challenges to overcome before they can realise their full potential. The first obstacle is arguably an immediate one and centres around the impact that the recession is having on women’s

businesses in particular. Our evidence suggests that women’s turnovers in the West Midlands, although not as affected as those in the UK as a whole, have decreased by 29% suggesting that women who are established and have embarked on a growth path are more likely to be suffering the effects of the recession in their markets. As one business adviser commented, “The

crisis may impact negatively on women, and they will need so much non-standard support at all levels to get them through.”

The second obstacle is the well-reported fact that there is high attrition between the earliest stages of business start-up and established business ownership. There are various sources that confirm this – for example, the Global Entrepreneurship Monitor reports in successive years that the gap between male and female entrepreneurship widens as businesses grow, while the Annual Survey of Small Businesses run by the Department of Business, Innovation and Skills suggests that only 15% of all business owners are women. Similarly, the Delta Economics Challenges and Opportunities for Growth and Sustainability study (COGS) found that for two successive years, the number of growth oriented founders of businesses was below average for the UK at 10.4% in 2008 and 13.5% in 2009 (compared to 13.5% and 16.6% in the UK as a whole).³

Yet women’s businesses have growth and value creation for the regional economy. There are no statistically significant differences in their growth expectations, their actual business growth and job creation, or in terms of

the turnover they generate per employee; a rough proxy for productivity. The key question, then, is not whether or not women’s businesses add value, but rather, why there are not more of them in the region or in the UK.

Ultimately the policy issue is whether to intervene in this segment of the market or whether the interests of fuelling growth and sustainability oriented businesses are best served by raising awareness of opportunities and potential at a lower stage on the enterprise escalator. Although there may be stronger evidence of a market gap in the region amongst established women’s businesses, there is less evidence that women at this stage require dedicated support targeted at them as women. As one commented, “I don’t want specific support for me; I’m an entrepreneur who happens to be a woman. The policy language is wrong, especially for a younger generation. They were brought up taking equality for granted. Society has moved on and enterprise policy has to too.”

This does not mean that, as one adviser put it, “the women who do business in a man’s world” do not require support and, as the impact of the last 2 years of the credit crunch works through the system

there will be more businesses that require help to stay afloat and on current trends many of these will be female.

This will undo much of what has already

been achieved in the growth-oriented women's business arena – a price that is surely not worth paying.

A note on method

The policy briefings are based on 30 in-depth telephone interviews with entrepreneurs and business advisers across the region between September and the middle of November 2009. Alongside this ten case studies were also put together with female entrepreneurs in the region. The interviews and cases were supplemented by a regional focus group, stakeholder meetings. All qualitative interviews and a literature and documentary search were triangulated with secondary data mining (Labour Force Survey, GEM and Barclays data) and primary data analysis (COGS).

The Context

The evidence base to support demand-side and lower-end supply side measures has historically been good and supplied empirically through GEM, the BIS Household Survey and the Labour Force Survey. But much of this tells us about entrepreneurship as a labour market phenomenon rather than as a potential driver of wealth creation. In short, many of the datasets in the UK and beyond are telling us about the *prevalence* of female entrepreneurial activity in the labour market. They are not telling us about whether or not there is a market gap, what types of businesses that women run or, indeed, about how they grow them, the

challenges they face, how they overcome those challenges and the value (both social and economic) that they create in the economy. It has been hard, therefore to formulate policy due to a lack of a robust evidence base.

For some time, the UK government and the Regional Development Agencies have focused on closing the productivity gap with the United States through the five productivity drivers: competition, skills, investment, enterprise and innovation.⁴ The issue of productivity takes on a new relevance in the current economic climate, however, as a means of generating recovery from the

downturn through a country's or a region's small business base.

The key focus for the West Midlands is Gross Value Added (GVA) which will be created and enhanced by the existing business stock. As has already been highlighted we know relatively little about how to do this for women's businesses in particular or, indeed, what drives performance in this group of women-owned businesses. One way of achieving this is by increasing the numbers in the established business stock. Advantage West Midlands estimates that the region needs 8,000 new female businesses to produce the long term value added increases that it needs. This means widening and deepening the pipeline of businesses from the start-up stages to ensure that those women who have growth aspirations, or those women who may develop growth aspirations as they go upwards through the support escalator can achieve their goals.⁵

The other way of achieving this is to facilitate enhanced performance and productivity in existing businesses – for example, by raising awareness of programmes such as the Knowledge Transfer Partnerships which provide vouchers for access to the science and

innovation base in higher education, or through provision of dedicated programmes aimed at promoting high growth.

Yet the region does appear to have an issue with the supply of growth training. Around 40% of the inquiries into Business Links, for example, are by women. But only 13.3% of the clients on the Business Link's books in the region are women, suggesting not only are women not accessing available training, they are also dropping out when they do access it. In the words of a long-time supporter of women's enterprise in the region, "There are too many factions and the support agenda, especially for established businesses, needs to be harmonized and simplified. These women have to work with men and diverse social groups. So why make the support isolated? It just creates confusion."

This is not a universal view and, as with other areas of business support, there were equally strong views that women should at least have a dedicated mentor or business adviser who could be called on throughout the growth path of the business.

Separating market failure from economic conditions

There are two issues that the women-owned established business sector currently face: the impact of the recession and the need to enhance actual performance. Women's

businesses have not grown as expected according to 25% of those women in the region compared to 15.4% of women in the UK as a whole. This is illustrated in Figure 1.

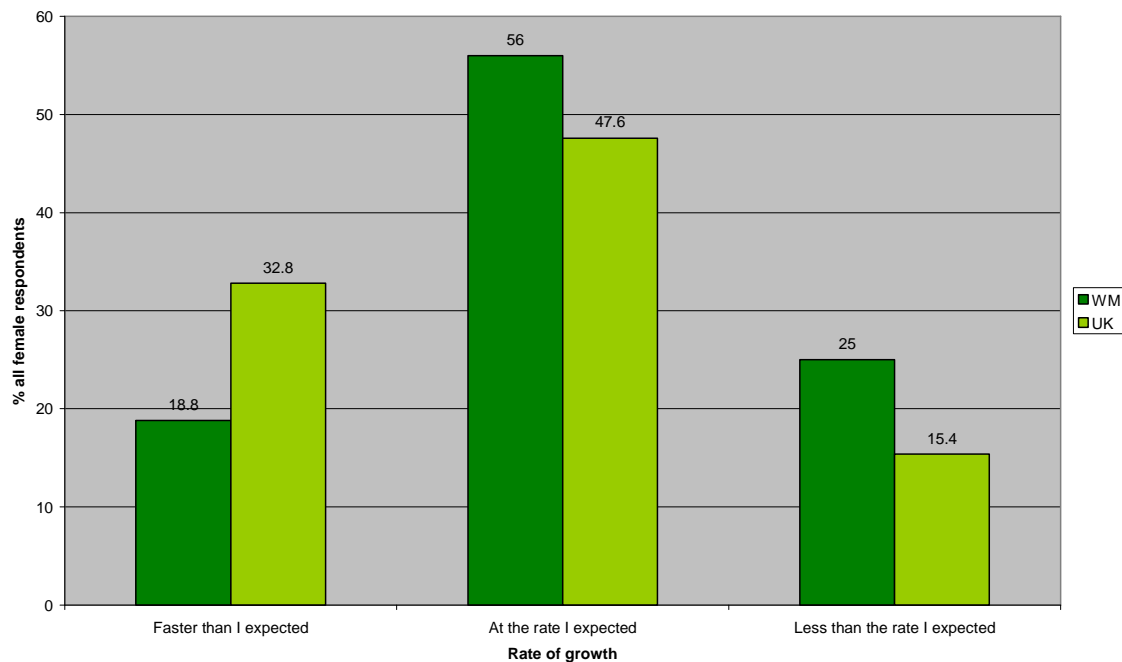


Figure 1

Rate at which founder's business has grown (West Midlands and UK women compared)

Source: Delta Economics/COGS 2009

18.8% of women in the West Midlands say their business has grown faster than they expected compared to 32.8% of women in the UK as a whole. While overall 75.1% of women in the region say that their business has grown at or above the speed they expected. This

group is comprised mostly of women who have achieved rather than exceeded their growth targets. Upon being prompted further, one entrepreneur said she "made sure that the business plans were realistic. There is no point in saying we'll do this or we'll

do that, when it's all hot air. I hit our targets because the targets were realistic. UK wide, the equivalent figure is 80.4% of businesses that have met or achieved their growth expectations but 32.8% of these are women whose businesses have grown faster.

This is further corroborated when we examine the figures for turnover changes between 2008 and 2009 as illustrated in Figure 2, which shows changes in turnover over that period for male, female and all businesses by region in the UK.

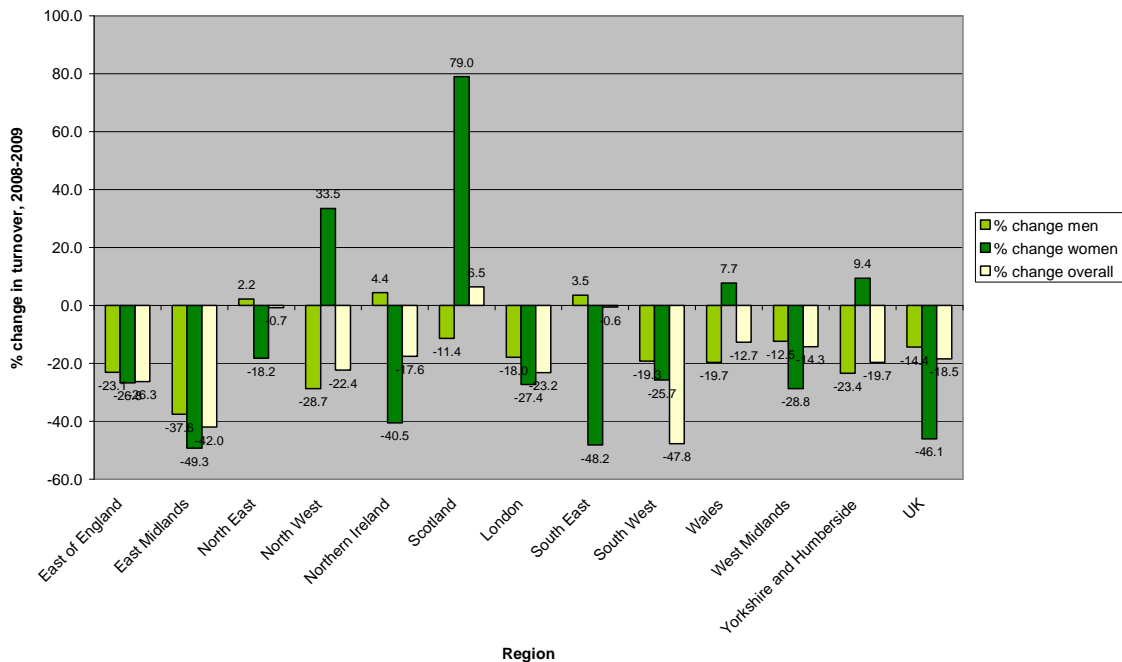


Figure 2
Changes in turnover between 2008 and 2009 by region and gender

Source: Delta Economics/COGS 2008 and 2009

Figure 2 shows that in comparison to male businesses, female businesses in the West Midlands have seen their turnovers hit proportionately hard. They have fallen by around 28.8% and while this is lower than the figure of 46.1% for the UK as a whole, it is still a substantial

amount. The recession is clearly an important factor and this is corroborated by the challenges that entrepreneurs say they faced when they started their business compared to the challenges they face now, as illustrated in Figure 3.

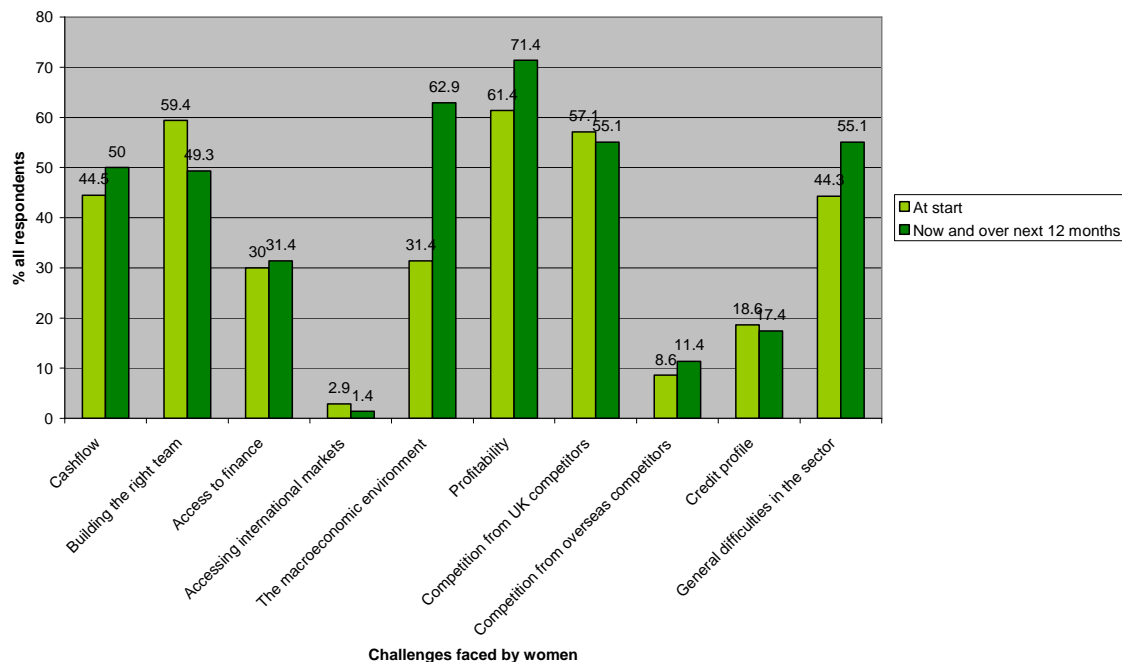


Figure 3
Challenges faced by women entrepreneurs in the West Midlands

Source: Delta Economics/COGS 2009

Figure 3 shows, unsurprisingly that men and women are more worried about the recession now than they were when they started. After all, the COGS survey is of businesses that are older than 2 years, so they have grown as the recession has started to bite. But while men in the region are less concerned about cash flow, accessing finance and credit profile, whilst women have become more concerned about this as their businesses have grown and are also substantially more concerned about profitability than when they started than their male counterparts. The very low figures for Accessing Foreign Markets

was substantiated by one female entrepreneur who outlined growth plans for exporting, but said she would only follow it through if she could get another grant.

They are still producing value and expect to produce value over the next three years, however:

- On average a woman’s business created 7 jobs from the first year of trading to the current time (compared to 8 created by male businesses). However, women’s businesses in the UK create 12 jobs on average and this

suggests that women's businesses in the region may be smaller.

- On average, women are expecting to create 3 jobs over the next 3 years compared to 7 amongst women's businesses in the UK as a whole and 8 amongst men in the West Midlands.
- Women's business founders expect their turnovers to grow by 33% from now over the next three years. This compares to 37% amongst men and 36% in the UK male and female population.

This does not mean that women's businesses are not adding value to the region. Indeed, their turnover per employee averages £130,000 compared to £113,000 in the UK and £114,000 amongst men in the West Midlands. The differences are not statistically significant, suggesting that they are able to produce similar levels of value even if their growth and their expected growth is more modest. For example, 43% of women's businesses in the COGS survey fell into the category of 101-200% growth compared to 33% for the UK as a whole, and although the number of businesses in the most rapid growth segment (over 500%) is similar at 28% to that in the UK, there is a larger number of female businesses in

the West Midlands at the lower end of the growth distribution. This is illustrated in Figure 4.

Figure 4 provides a broad picture of growth amongst women's businesses in the UK and the West Midlands that is bipolar: with a large number of lower growth companies that have experienced 101-200% growth and another peak at rapid growth beyond 500%. Whether or not these businesses can be classified as "Gazelles," in that they have grown 20% year on year depends on growth given the age of the business. Numbers are too small to do this reliably in the West Midlands, but broadly, if turnover has grown by more than 100% for companies under five years or by more than 500% for companies between 5 and 10 years, then they classify as high growth according to this definition. Suffice to say that the analysis suggests that 40% of the women who were running older firms (5-10 years) fell into this latter category. Although little can be concluded from this statistic in itself, it does suggest that businesses in the region either exhibit modest growth or high growth with little in between.

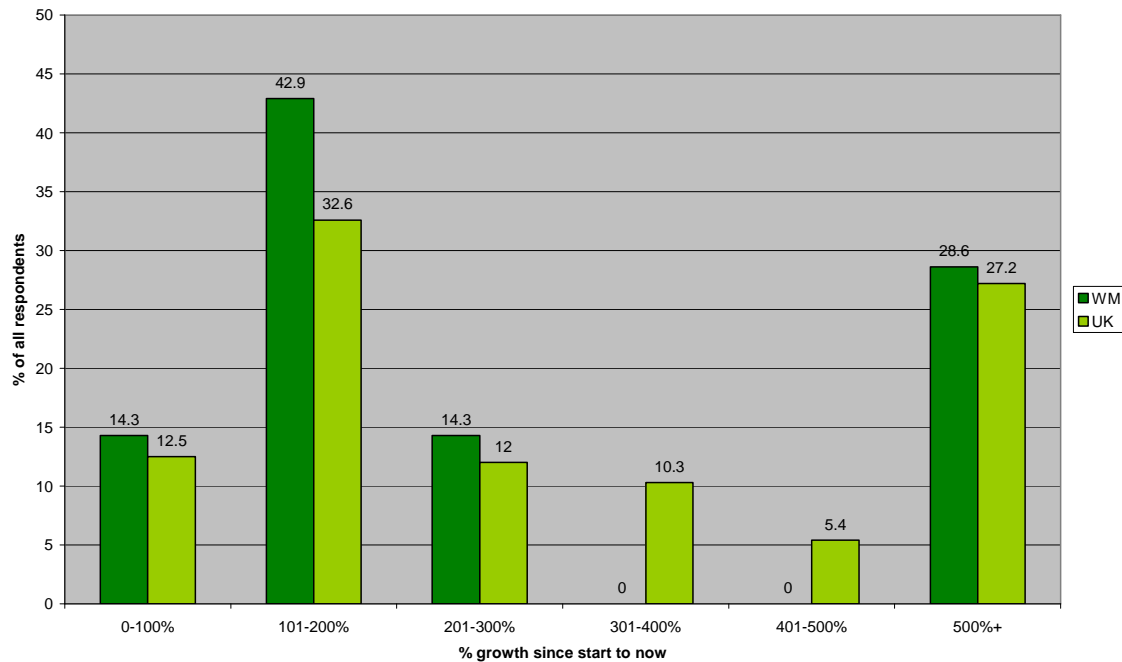


Figure 4

Percentage growth in turnover in broad bands of UK and West Midlands female entrepreneurs

Source: Delta Economics/COGS 2009

Policy Summary and Recommendations

The data presented here presents a picture of women’s business in the region adding value but potentially punching below their weight partly because there are more businesses in the lower growth category, irrespective of age of firm and partly because women’s businesses have been disproportionately hit by the recession.

The first issue points to a problem in the structure of business support in the region. In particular, the support

escalator that carries women through the growth process and converts the “Missing Middle”⁶ into sustainable, growth-oriented companies, appears to function less effectively the further up it the female entrepreneur is carried. Much of this comes down to continuity and many entrepreneurs expressed their frustration with the fact that their nominated advisers changed and therefore could not understand the issues the business faced as it grew. While some did express satisfaction with

the support they had received, especially in access to finance, many were frustrated at a lack of continuity and simplicity in the whole system.

The second point relates to a short term problem that could affect the performance of women's businesses over the longer term – that of the recession's impact. The in-depth interviews conducted as background to this policy briefing suggested that many established women's businesses regard themselves as innovative and flexible and therefore, to some extent, recession-proof. However, many business owners had had to struggle through the growth process to get to the point where they felt their business was sustainable by adapting their business models and their expectations as they grew.

Financiers interviewed as part of this research pointed to the fact that many businesses cease trading after a recession because they have not taken these steps to make their businesses sustainable. They argued that, as recovery results in increased orders, companies have to invest in stock and sales teams in order to take up on the growth potential in the market – in short, “there will be a period where people will

be spending more than they get in,” said one. If a business has run down its reserves and been too cautious, then it is less likely to be able to pick up as the recovery gains momentum. Given that so many of the women's businesses in the region seem to have experienced reductions in their turnover, this could be a worrying lead indicator.

The policy recommendations, then, fall into two categories – to deal with the immediate and longer term effects of the recession and to set in place a support escalator that matches both with the need to generate more sustainable and growth-oriented women's businesses and to make the existing female business stock more productive:

1. ***The recession and its aftermath:*** The UK government has put in place mechanisms to boost access to capital through the Enterprise Finance Guarantee Scheme and there are embryonic signs that lending to small businesses is starting to increase.⁷ However, this finance is not in itself enough to fuel recovery and entrepreneurs and business owners need to build long term planning, flexibility and leanness into their business models as growth begins to pick up - according to the financiers and

the business advisers interviewed as part of the research. Advantage West Midlands and Business Link West Midlands already have clear guidelines on access to finance but the corresponding support to entrepreneurs on recession-proofing their business models would be a welcome addition to existing short term programmes for all entrepreneurs and women in particular.

2. ***Developing the support***

escalator. entrepreneurs and business advisers in the region in both the social enterprise and the mainstream enterprise sectors raised concerns about the lack of harmonisation of support infrastructures across the diversity agenda which prevented entrepreneurs and their advisers from effectively accessing all available advice. The nature of advice changes as the business matures – it becomes less focused on human and social capital for the individual entrepreneur and more focused on monetising these types of capital, alongside developing appropriate business models for long term value creation. Interviewees expressed a frustration that the levels of support were not coordinated and that best practice, for example, in Coventry's

Women's Business Development Agency, were not spread across the region. There is clearly scope for a centralised coordinating resource that provides signposting and links to business support at every level in the interests of keeping as many people on the escalator as possible.

3. ***Research and Evaluation:*** the interviewees argued that we know relatively little about the support needs, both of the women's businesses that focus on sustainability in its broadest sense (economic, as well as social and environmental) and those who are focused on growth. The survey based evidence presented here suggests there is a market failure in the actual growth of women's businesses in terms of turnover but not in terms of jobs, and that any differences may be because of the downturn as much as any intrinsic differences in potential. However, there is clearly an evidence gap on how value is created and the growth aspirations of women which requires more comparative evidence to be collected in the interests of providing a robust evidence base for future policy and future policy evaluations.

References

¹ Gordon Brown (2005): Speech at the Advancing Enterprise conference, London.

² Department for Business Innovation and Skills (2008): "Enterprise: Unlocking the UK's Talent." <http://www.berr.gov.uk/files/file44992.pdf>;

³ The Delta Economics Challenges and Opportunities for Growth and Sustainability (COGS) study is an annual survey of founders of growth-oriented, sustainable businesses with turnovers of above £250,000 and that have been running for between 2 and 10 years. The survey, which is essentially looking at the "survivors" – those who have got through onto a growth and sustainability path beyond the first 24 months – was of 1800 entrepreneurs in 2008 and 2120 in 2009. Each year, 500 of these were in the West Midlands region; 13.7% were women.

⁴ <http://www.berr.gov.uk/publications/economicstatistics/economics-directorate/page21913.html>

⁵ This is the subject of the WECOE Policy Briefing on start up businesses (2009). See also HM Treasury, 2005: "Productivity in the UK 5: Benchmarking the UK's productivity performance: A consultation document" http://www.hm-treasury.gov.uk/d/productivity_sum%5B1%5D.pdf.

⁶ Womenable (2007): "Mapping the Missing Middle: Determining the Desire and Dimensions of Second Stage Women Business Owners. "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.⁶ 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, suggests that by helping the micro businesses alone to grow would increase their employment by 31%.

⁷ HSBC (2009): 'The Business of Recovery' www.hsbc.co.uk

Background to the Women's Enterprise Centre of Expertise

Advantage West Midlands recognised the importance of women's enterprise as being a key economic driver however, in order to ensure that appropriate policies were developed they commissioned the Women's Enterprise Centre of Expertise (WECOE) project along with four other Centres of Expertise (COE's) focusing on minority ethnic young people and social enterprise.

WECOE, funded by Advantage West Midlands (AWM) the West Midlands Regional Development Agency, had a fixed-term, two-year timescale (Dec 2007 – 2009), with a series of specific objectives to embed within mainstream support over that period and provided a range of strategic, policy driven support for the wider development of the Women's Enterprise Agenda across the region. Our role was to:

- Develop Market Intelligence
- Stakeholder Engagement
- Act as a critical friend to AWM/Business Link and other key stakeholders
- Pilot new activities in order to develop learning from action
- Provide capacity building support

WECOE offered a dedicated source of information and expertise on women's enterprise issues, supporting the existing infrastructure of economic development and regeneration across the region. This included, for example, AWM, Business Link West Midlands, regional partnerships, business-women's networks, local networks, consortia, voluntary and community groups and the private sector.

WECOE's aim was to reinforce ***the economic case*** for women's enterprise support throughout the region; building on, informing and strengthening the existing infrastructure, and embedding good practice. It also sought to understand areas of market failure and to work with partners and organisations to address this.

Finally, WECOE sought to raise the profile of women's enterprise across the region, by influencing regional and national policy and by supporting a greater range of strategic partners in embedding women's enterprise into the core of their work.

The Centre:

- Provided a range of services which embedded quality policies, practices and procedures within organisations such as West Midlands Business Link, thus both capacity building and supporting more women into enterprise.
- Enabled policy makers and support organisations to assist a diverse range of women in business in a more strategic and appropriate way than had previously been seen across the region.
- Worked to raise the ambitions of economic development and business support organisations in their expectations and perceptions of women's enterprise and its contribution to the regional economy.

- Engaged regional policy makers, and a strong body of women entrepreneurs, in national dialogue with Government departments (including the Department for Business Innovation & Skills) to enable regional needs to be both identified and incorporated in the national enterprise strategy.
- WECOE worked to influence the development of regional policy and related research, through active involvement and attendance at all Sub-Groups of AWM's Enterprise Board.
- WECOE also influenced national activity, through the Ethnic Minority and Women's Enterprise Task Forces.

WECOE did not provide direct service delivery for business support and economic development itself; instead it provided ideas, methodologies and good practice models through which organisations could increase the participation of women in enterprise activity across the region.

It acted as an independent referent and 'critical friend' to organisations such as Business Link West Midlands providing both expert assistance and robust analysis to improve services to clients, building on local, regional, national and international good practice in the field, whilst also exploring market failure and addressing how best to tackle such issues in a sensitive and appropriate way.

WECOE worked in parallel with the other three other Centres of Expertise (COE's) commissioned by AWM (for minority ethnic enterprise, social enterprise and young people's enterprise).

The COEs worked closely together to ensure a complementary approach to potential 'cross cutting' themes (e.g. ME women's enterprise issues, women in social enterprise and young women/girls) whilst ensuring that the specific issues of region-wide women's enterprise were addressed.

Women are not a homogeneous group, and as such have differing needs and requirements for economic activity and enterprise. Therefore WECOE focused upon ensuring that the needs of women who are under-represented, even within specialist women's enterprise support, (e.g. ME women, refugees and new migrants) were adequately addressed across the region.

Marla Nelson
Director
Women's Enterprise Centre of Expertise

**Research conducted by Delta Economics: <http://www.deltaeconomics.com>
info@deltaeconomics.com Tel: 01323 419924**

**On behalf of WECOE and Advantage West Midlands:
<http://www.advantagewm.co.uk>
Tel: 0121 380 3500**