



dti

SMALL BUSINESS SERVICE

Promoting female
entrepreneurship

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The DTI drives our ambition of 'prosperity for all' by working to create the best environment for business success in the UK.

We help people and companies become more productive by promoting enterprise, innovation and creativity.

We champion UK business at home and abroad. We invest heavily in world-class science and technology. We protect the rights of working people and consumers. And we stand up for fair and open markets in the UK, Europe and the world.

Introduction

Women are under-represented among the UK's business owners. This means that there are many women in the UK who could be obtaining all the benefits that would come from running their own business but it also means that there is a very real loss to the UK economy. The UK, and its regions, are missing out on a major resource.

In 2003 the Government produced a Strategic Framework for Women's Enterprise. This set a target to raise the proportion of businesses that are majority women-owned from 15% to 18%-20% by 2006. The Framework set out a number of actions that need to be undertaken in order to drive that change.

Women make decisions about whether to start a business at a local level and in the context of the support and help that is available to them locally. This work needs to be driven forward at the local level in order to have the desired impact.

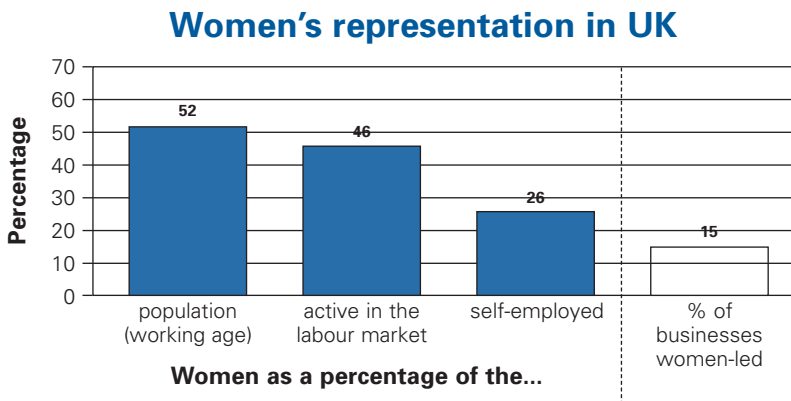
In October 2004 the Chancellor of the Exchequer and the Secretary of State for Trade and Industry set up a Women's Enterprise Panel, composed of experts in the women's enterprise field and high profile and successful female entrepreneurs, to advise on how to meet the 20% target by 2006.

The Panel have stressed that it is critically important that all involved in delivering business support services to women (both from the public and private sectors) should understand the economic imperative to ensure that women have access to the business support that they need when they are thinking of starting a business. These women are, or should be, the employers, the tax-payers, the suppliers and the customers of the future and we neglect them at our peril.

It is neither possible nor desirable to categorise all women owned business as somehow 'different' and in need of different treatment. However, we do know that there are some issues that affect many women setting up their own businesses in specific ways and that some women find it difficult to achieve their full business potential in an environment that has been designed for a different model of entrepreneur. This paper provides an overview of the nature and scale of the problem and explains why it matters.

What evidence is there that women are under-represented in business ownership?

- Over half the working age population are women, but they remain under-represented in all forms of economic activity. In few areas is this worse than in business ownership:



- There are encouraging signs that entrepreneurial activity among women is increasing:
 - Twenty years ago, fewer than 650 thousand women were self-employed - now there are more than 950 thousand self-employed women in the UK^b
 - Total entrepreneurship activity (TEA) for women in the UK rose from 3.3 per cent in 2002 to 3.9 per cent in 2004^c
- But men are still twice as likely to set up in business as women.

- And there is still a very substantial gender gap when it comes to women owning and running their own businesses. Only 15% of businesses are majority women owned, and only a further 19% are equally male/female owned.
- The following table shows the percentage of business ownership by gender^d:

Business ownership	Percentage of businesses with employees	Percentage of all businesses
Majority Women-owned	12%	15%
Equally-owned	26%	19%
At least 50% female ownership	38%	34%
Women in minority	9%	4%
Male-owned	51%	60%

- The experiences of some of our major competitors shows what can be achieved when more use is made of women's entrepreneurial talents:

- Around 30% of all US businesses are majority female owned^e. The number of women-owned businesses continues to grow at twice the rate of all US firms, and they are increasing in economic clout.
- Between 1991 and 1996 the number of self-employed women in Canada grew by 44% (compared to 20% for men)^f

Why do some women want, or need, different things from business support programmes?

- Whilst not all women's businesses are the same, there is evidence that the motivations, experiences and aspirations of female entrepreneurs differ from those of their male counterparts.
- Many women start businesses for different reasons from men and this can impact on how and when they are able to benefit from business support:

- Only 2% of men cite family commitments as a reason for becoming self-employed, compared with 21% of women^h
- Significantly more women than men say that fear of lack of finance, and of debt, would prevent them from starting a business^c

Rationale for starting new business^d

	Women-led business owners	All start-up owners
<u>Independence, own boss</u>	35.2	29.0
Develop idea, hobby, skill	28.2	15.3
Saw gap in market	6.2	11.9
Make money, etc	5.1	14.5

- Many women starting businesses have different levels of experience from men and may therefore need to develop different skill sets and have to overcome different personal development challenges^d:

Respondent's status before new business started

	All	Women's business
Working as a full-time employee	62.3	60.3
Working as a part-time employee	2.4	1.8
Self-employment	25.0	13.6
In education/training	1.0	3.0
Unemployed, on benefit	2.5	4.6
Unemployed, not on benefit	4.3	14.4
Something else	2.4	1.7
DK/NA	0.2	0.8

- Many women run business whilst they continue with other occupations. Female entrepreneurship is higher than male entrepreneurship among homemakers and those who run a business as a sideline to their other employment^e.
- Perhaps because of the issues above, women-led businesses grow differently from those run by men. Therefore women's experience of running a business in the early years may be very different from their male counterparts, making it more important for them to have peer group contact, networks and pre-start up support.

Business turnover in first year (£ thousands)^d

Businesses between 1 and 2 years old

Average Figure

All	£290
Male	£360
Female	£150

- All of this tends to indicate that a significant proportion of women who are thinking about starting their own business will look for a particular kind of support, relevant to them and, in some cases, different to the mainstream. Existing support programmes are geared, naturally, towards the majority of small businesses and how they work. There may be issues of availability (e.g. timing or places) of child care, or the ethos or content of existing business support that make a significant proportion of women feel that what is on offer is not for them.

So what would the economy get out of increasing rates of female entrepreneurship?

- Business start-ups, or wider self-employment, whether male or female, are crucial to employment and productive growth. Government and many other bodies are already dedicated to promoting enterprise and entrepreneurship in the regions, but women remain a largely untapped resource.

- Women owned businesses already contribute hugely to the economy:

- women in small business ownership make an estimated £50-70 Billion annual contribution to the gross value added by business^h

- Women starting up in business will tend to provide a more immediate contribution to the economy (GDP):

- Around one in five women come into self-employment from unemployment compared with around one in fifteen for men.^d

- Women owned businesses can make a real impact:

- Business creation and employment - recent estimates suggest that every 100 businesses started up leads to around 260 jobs in the economy.ⁱ

- Women-owned businesses in the US employ an estimated 19 million people. This is one seventh of all those employed in the country.^e

- For every 14 clients helped (counselling & training) by the Women's Business Centres in the US, one more job is created.^e

- Supporting women-owned businesses creates and preserves jobs. The Canadian Gender-based Training Program (WEI) estimated that across the 37,000 client businesses, WEI had a role in preserving 6,704 full-time jobs and 18,999 part-time jobs.^j

- Contribution to the regional and local economies:

- Those involved in small business ownership have more spending power in the local economy. They can and do buy more goods and services than the average^k
- The 3 most productive regions, in terms of gross value added per employee, have the highest rates of business start-up and generally high rates of female entrepreneurship.

- Contribution to growth:

- There can be considerable multiplier (or knock-on) benefits from businesses starting up. Not simply because they grow themselves but also because their dynamism stimulates competition, innovation and in turn increases productivity in the economy as a whole.
- There are indications that female businesses are more innovative than male businesses. They are more likely to use new technology and to be providing a product or service that is new to the market.^l
- Female start-ups became increasingly export-orientated between 2002 and 2003. The number of start-ups with often quite high proportions of their customers abroad, has increased.^l
- Around a quarter of self-employed women (24%) have a degree or equivalent, compared with a lower level of 18 per cent of self-employed men.^m Research shows that more highly qualified entrepreneurs grow their business at a faster rate.

- In addition, this is a ball that, once rolling, gathers its own momentum. US evidence shows revenues increase at a higher rate than the average when the number of women-owned businesses is increasing^e. In effect, growth in the number of women's enterprises strengthens all women's enterprises.

If more women-friendly business support was available how do we know that more women would use it?

- Attitudes to entrepreneurship among women (and men) are changing. There is generally a more positive feeling about the opportunities involved in starting your own business. The table below shows how attitudes to entrepreneurship developed between 2002 and 2004:

Female Attitudes towards entrepreneurship (2002, 2004)^e

	2002 Women (%)	2004 Women (%)
Expect to start a business in the next 3 years	4.0	7.2
There are good opportunities to start a business	22.1	35.9
Fear of failure would prevent me from starting up	34.3	34.5
I have the skills to start a business	34.0	46.6

- But the data also indicates that women still tend to be more disadvantaged than men by cultural factors which result in them relatively lacking confidence in their entrepreneurial skills, their ability to spot good business opportunities, and confidence in their ability to succeed in business. These are all areas where effective business support can make a real difference.

Women are less likely than men to translate their interest in starting a business into action:

- The gap between men and women thinking about going into business (38% fewer) is lower than the gap between men and women actually engaged in entrepreneurial activity (56%)
- Around 8% of women have an interest in starting an enterprise or are giving it serious thought, compared with 13% of men. Having dependent children and other dependents, far from being a barrier, appears to make it more likelyⁿ

- Women interested in starting up their own businesses want help and they are looking for it in innovative ways:

- 70% of women-owned businesses seek advice at the start-up phase compared with 64% of all businesses^d
- 48% of visitors to the businesslink.gov are women^o
- Relatively high proportions of both Mentors (48%) and clients (38%) of the Business Volunteer Mentoring Scheme are women^p
- Young women say that they could be tempted to train for work in a not traditionally female sector if they see other females making the same choice, and if they are given support and encouragement from other women^q

Conclusion

The Government published a Strategic Framework for Women's Enterprise in May 2003, a collaborative document which has the long-term aim of changing cultural and social attitudes to women in business and their contribution to the UK economy. This paper demonstrates that it should be possible to help more women to set up and run their own businesses, with substantial benefits to both regional and national economy if business support services are offered that are women friendly and that reflect the needs and attitudes of businesswomen.

Sources

- a <http://www.statistics.gov.uk/census2001/profiles/uk.asp>
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- d Annual Small Business Survey 2003
- e US Center for Women's Business Research
- f Census of Canada 1991 and 1996
- g Office for National Statistics' Labour Force Survey 2000
- h SBS estimate 2004
- i analysis by Ron Botham for SBS, 2004
- j Study by Western Economic Diversification Canada 1999
- k Family Resources Survey, Department for Work and Pensions Expenditure and Food Survey, Office for National Statistics; Northern Ireland Statistics and Research Agency
- l Global Entrepreneurship Monitor (2002-2003)
- m Labour Force Survey, 4 quarter average (Autumn 03–Summer 04)
- n SBS Household Survey 2003
- o Businesslink.gov
- p Business Volunteer Mentoring Scheme April 2004 – June 2004
- q Equal Opportunities Commission

