

WOMEN STARTING BUSINESSES: EXECUTIVE SUMMARY

Arad Consulting
Based on information taken 2000- 2006

Background

This research was undertaken by Chwarae Teg as part of the Women's Enterprise Wales project.

The Women's Enterprise Wales project was established in 2000 to provide support, training and assistance to women at the pre-business start-up stage of self-employment/business creation. This project was developed by Chwarae Teg and the All Wales Enterprise Action Group for Women as a response to clear statistical information that the proportion of women starting and running businesses was significantly lower in Wales than across the UK as a whole. Women's Enterprise Wales provides clearly defined and focussed pre-start-up support, training and assistance and operates pan Wales, from several locally based offices.

The Women's Enterprise Wales project contains a significant element of original research in response to the identified lack of information about the motivations, associated influencing factors and characteristics of women starting businesses in Wales. The contrasting elements of the research portfolio link together to provide a comprehensive Welsh perspective on these issues. Specifically this research is designed to develop and enhance understanding of why women do and do not start businesses, in order to better inform policy, support and advisory services for Wales. The research results have been divided into a series of 4 reports:

1. Review of Statistical Information
2. Annotated Bibliography
3. An extensive survey of motivation & influencing factors
4. An intensive survey of motivation & influencing factors

The Women's Enterprise Wales project is funded by the Welsh Development Agency (WDA) and the European Regional Development Fund (ERDF). The first stage of the project runs from early 2000 until end 2003, with a second stage running from 2004 to 2006.

The research has been conducted under the management of the University of Wales, Lampeter, by a team of researchers contracted for the specific project. The research project has run in parallel with the first stage of the service provision.

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Main Findings

Review of Statistical Information

A review of the statistical information available about women in business, particularly for Wales and the UK was conducted to identify sources of reliable quantitative information. This was completed in December 2002, updated in 2003 and again in 2005.

Sources

Statistical information was gathered from a wide-ranging set of sources.

Two difficulties were encountered:

- Some organisations do not collect gender disaggregated data
- Differing definitions of self-employment, business owners, sole trader etc make it difficult to compare statistics produced by different sources

Key findings from statistical sources

- In the twelve months to May 2003 there was a 30% increase in the number of self-employed women in Wales
- The TEA (Total Entrepreneurial Activity) Index for women has increased from 3.5% to 4.5% between 2001-2004, whilst that for men fell from 9.1% in 2003 to 6.5% in 2004
- The number of niche businesses in the children/home sector (such as retailing, childcare or providing household services) experienced a 30% increase in the first half of 2003, compared to the first half of 2002.
- Men are 2.5 times more likely to set up a business in Wales than women (2001)
- Self-employed women are much more likely to be found in rural areas of Wales (figures from industrial to rural Wales vary c1.5% to c10%) (2004)
- Approximately 28% of new business start-ups in Wales are women (2001)
- Only 28% of self-employed people in Wales were women compared to 35% in the UK in 2000, by 2002 the figure for Wales had risen to 33%
- The 1980s saw an unprecedented increase in the number of women running their own businesses in the UK – the figure more than doubled from 292,000 in 1979 to 780,000 in 1991
- In the UK the number of self-employed women increased by 86% between 1991 and 1997, compared to the increase in self-employed males of 38%. However, female self-employment is still an overall minority at around 35%.

The Annotated Bibliography

A review of research examining issues and factors for women starting businesses was completed utilising a wide range of literature sources. A series of critical themes within the current research literature were identified and key factors within these themes. Discussions within these themes and factors provide a unique and affirmative overview of the current global research position. These themes have then been used in the analysis of the key primary research element.

Themes:

Motivation

- Women more likely to be 'pulled' into self-employment by personal ambition, whilst men's entry is often via the 'push' of redundancy/unemployment
- Personal fulfilment, self-determination, challenge and ambition are key motivating factors for women
- Independence motivates both women and men, for women this is often linked to the need for flexibility to manage a home, family and work
- Women appear to be less motivated by money than men

Characteristics

- On average female entrepreneurs are in the age range 35-44
- Businesses owned by women with no small children have a slightly higher survival rate
- Less women have previous business or management experience than men
- Women's businesses cluster in certain sectors, this is seen as reflecting their previous experiences and expertise
- Lack of women in 'growth' businesses
- A woman entrepreneur is four times more likely to have been influenced by an entrepreneurial parent
- Women tend to conservatism and survival rather than high growth and profit.

Environment

- Environmental influences on women can be contextualised both using the traditional business models, but also via a more feminist approach that views the women within two concentric 'environmental' circles
- Clear gender differences are identified in relation to the construction and utilisation of networks and other personal support frameworks. Women do network but this is softer and less traditional and with both mutual support and information gathering functions

Access to Finance

- Women's businesses are more likely to encounter difficulties when accessing finance, but this is more to do with the profile of women and their types of business rather than gender discrimination
- Women's businesses are less likely to be high growth businesses, and these attract greatest financing opportunities

Family

- Family commitments play a dual role, both as a barrier to start-up, growth and/or business development but also as a trigger to instigate self-employment
- The role of women within family business structures is of particular interest, as these roles are often hidden or focussed on particular aspects of the business
- Family security is often more important than business success to women small business owners

Training & Support

- Support and training programmes specifically aimed at women starting and developing businesses have been very successful
- Raising awareness of the opportunities presented by business ownership for women is very important
- Women are more likely to take up appropriate training when offered it, and the business and personal benefits are significant. However, there is significant drop-out by women or generalised, inappropriate training programmes

Training of trainers, advisors and mentors to support the specific needs of women is seen as very important

Surveys of motivation & influencing factors

The main research work focused on investigating, for the first time at pan Wales and local level, the key motivations and influencing factors affecting the decision of women to start, or not start, running their own business. This research comprised an extensive survey via a questionnaire and subsequent qualitative study via intensive interviews. The studies have collated a significant amount of quantitative, factual and anecdotal information about Welsh women's views on self-employment.

Findings from the extensive questionnaire survey

1341 questionnaires were returned and analysed, with a return rate of 15%

The findings from this research show –

- The MOST motivating factors for women to start a business:
The need of independence/control, The need for freedom/flexibility, To fulfil a dream or ambition, Self-fulfilment
- The LEAST motivating factors for women to start a business:
To gain social status/social recognition, The inclination to take risks, To improve self-esteem
- Most important sources of support for women starting a business:
Support from family and friends, Advice about finance, Provision of loans, grants, overdrafts
- Most significant problems:
Lack of access to grants, Domestic responsibilities, Lack of business skills

- Factors MOST influential in route to self employment:
To be financially comfortable, Encouragement from others, To pursue a skill or talent, Life-style reasons – flexibility of time & location
- Older women more likely to be self employed than younger women
- Self employed women were less likely to have dependents at home
- Male business owners are more likely to have family members in business than female business owners
- Women are often self employed and employed at the same time
- Many women respondents had faced problems knowing where to go for advice and others had received incorrect advice
- A significant number of women (44%) felt that they had faced some source of gender discrimination when establishing a business
- 42% had faced credibility problems, this is most significant for 46-55 age
- Lack of business and management skills is a difficulty for women when attempting to access finance

Findings from the intensive interviews

45 women, from all parts of Wales, were interviewed by telephone using a semi-structured format

Can you explain why you want(ed) to have your own business?

- Women often have a mix of reasons for starting a business, rather than one specific reason
- Many women focussed on personal reasons for business ownership
- Women were often dissatisfied with their previous work. For some women their area of work became inappropriate as circumstances changed
- Several women established businesses to respond to a specific local need

What helped you move towards starting a business?

- Effect of the workplace
- Influence of other business people
- Businesses or premises becoming available
- Personal financial position, availability of personal or family financing
- External financial support available
- Support from family and friends
- Redundancy and unemployment
- Personal triggers
- Training and/or Support

Has anything hindered the development of your business?

- Lack of access to finance and financial services
- Lack of access to information and advice
- Lack of business skills and expertise
- Cash flow
- Being a woman
- Lack of appropriate premises
- Partnership issues
- Credibility
- Rural Wales issues
- Work-life balance
- Lack of confidence

Can you tell me the real advantages of running a business?

- Flexibility
- Freedom, independence, control
- Financial advantages
- Personal advantages
- Ownership, satisfaction & reward

And what you have gained personally from this?

- Increased confidence
- Skills development
- Coping with personal difficulties

Conclusions

Women are primarily motivated by independence, freedom & self-fulfilment
They are less likely to be motivated by status & risk taking
Friends and family provide support for women starting businesses
Women are less likely to develop high growth businesses

Recommendations

Pre-start-up training and support for women has clearly assisted many women in the establishment of businesses. The good practice from short-term projects and programmes needs to be identified, recognised and built into long term mainstream enterprise development and business start-up support programmes

The importance of the types of businesses women create to the economy needs to be fully appreciated (in terms of priority sectors, women's aspirations, women's participation in the labour market, contribution of these businesses to the infra-structure of communities)

Further research

This research has identified a number of areas in which research would be useful and beneficial, including:

Utilisation of longitudinal surveys, both in terms of examining how attitudes change over time and also in tracking motivations of individuals over time

Investigation of the particular situations, motivations and needs of rural women

The dynamics of family businesses, the role of women in this situation and issues relating to succession

Exploration of the relationship between previous business experiences and exposures to motivations and success of women's business start-up

A review of the processes and stages of the gestation of new business ideas by women

A comparison of women's business in terms of life-style v. growth businesses, can this differentiation be related to motivations and aspirations pre- and at startUp?