

Business Issues, Competition and Entrepreneurship

Women-Owned Businesses

Analyses of Growth Influences and Access to Capital

STEPHANIE PAIGE
EDITOR



NOVA

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PREFACE

Chapter 1 – Like all entrepreneurs, women business owners face many challenges in making their entrepreneurship dreams a reality. Some of the challenges faced by women may be specific to women, due to the historical and cultural context within which they do their work.

The National Women’s Business Council (NWBC), initiated this research to better understand the reasons behind the general lag of women-owned business growth, as compared to firms owned by men. The NWBC looked to the research to provide insights on key considerations when reaching out to women entrepreneurs to encourage maximum growth of their businesses. The research centered on questions about three key attitudinal areas associated with business ownership and growth: risk tolerance, motivations, and expectations. The research team also listened for instances where culture could be influencing behaviors or experiences.

Chapter 2 – This report provides an overview on issues and factors affecting access to capital for women-owned firms with a particular focus on growth-oriented firms. Differences between men and women business owners regarding firm growth, amount and sources of financial capital, and the relationship between the two are also explored.

Chapter 3 – This paper provides a foundation for the National Women’s Business Council (NWBC) to develop and launch a major initiative targeted to helping women achieve high levels of business growth. NWBC is the single government organization that focuses exclusively on ensuring that this nation’s economy realizes the full potential of one of its fastest growing segments – women-owned businesses. Integral to achieving this mission is to be a catalyst for women-owned businesses creating jobs and generating revenue.

This paper reviews the growth-trends of women-owned businesses, reports on what differentiates the women who own the largest, fastest growing businesses from those with smaller businesses, and concludes with a proposed strategic platform for action.

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Chapter 1

FACTORS INFLUENCING THE GROWTH OF WOMEN-OWNED BUSINESSES – RISK TOLERANCE, MOTIVATIONS, EXPECTATIONS, AND CULTURE*

Public Policy Associates, Inc.

EXECUTIVE SUMMARY

Context

The National Women's Business Council (NWBC), which advises the President, Congress, and the U.S. Small Business Administration, initiated this research to better understand the reasons behind the general lag of women-owned business growth, as compared to firms owned by men. Other studies had indicated that, on the whole, women and men approach entrepreneurship differently. In order to assist women, and the nation, to advance economically, the NWBC looked to the research to provide insights on key considerations when reaching out to women entrepreneurs to encourage maximum growth of their businesses.

* This is an edited, reformatted and augmented version of a report written under contract for the National Women's Business Council, issued October 30, 2013.

Study Overview

The research conducted to address these questions included a literature review, as well as focus groups and telephone interviews with 81 women entrepreneurs from three metropolitan locations in the United States. The research centered on questions about three key attitudinal areas associated with business ownership and growth: risk, motivations, and expectations. The research team also listened for instances where culture could be influencing behaviors or experiences.

The participants were organized into four segments of women business owners groupings that were defined by the research team based on the literature review: (1) having high-growth expectations, (2) having moderate-growth expectations, (3) having children at home, and (4) making frequent use of outside advisors. The owners were placed into one of these segment based on their responses to screening questions. All participants came from industries defined as high growth nationally by the Bureau of Labor Statistics to maximize the likelihood that each had the potential to readily grow. In addition, participants had to have an interest in growing their businesses and have more than one employee (i.e., own an employer firm).

Key Findings

Risk

- The study participants who were most risk tolerant also held high expectations for business performance and growth.
- The addition of full-time-equivalent employees in the past five years (an indicator of business performance) varied slightly by segment. The median number of additions, for businesses who had added any full-time equivalent employees, was two for the moderate-growth, children at home, and frequent users of advisors segments. The median for the high-growth segment was four.
- Women business owners with children at home defined risks in terms of family finances, personal time, and personal reputation. In the other segments, the owners pointed to risks associated with business investments and finances more often.
- Utilization of outside advisors was not associated with greater tolerance for risk; however, owners did recognize the value of such

resources, particularly at the startup, and recognized how external advisors could assist in mitigating risk.

- There did seem to be difficulty among some owners in delegating daily management responsibilities (e.g., processing payroll), which may be compromising business growth potential. The owners were concerned about finding employees that they could trust. Investing in hiring new staff or consultants were viewed with caution

Motivations

- The owners were mostly motivated by flexibility, work-family balance, and independence. These motivations need to be considered potential influencers on business growth planning.
- Wealth creation was an uncommon motivator.

Expectations

- Growth was not a central focus for many at the outset of their businesses; with more experience as a business owner, came more attention to growth.
- The owners saw success in business as a reflection of their personal and professional success. However, the point at which an owner considers herself sufficiently successful seems to be influenced heavily by a need to balance business success with success in other areas of her life.

Culture

- Perceived expectations and norms around women's responsibilities and roles had at least some influence on business growth decisions, as well as ownership decisions. Risk taking, motivations, and expectations were all affected.
- Women expressed concerns about adding focus on business growth to their current workloads, which include home and workplace leadership roles and responsibilities.

- Some women business owners, particularly those in industries with a lower concentration of women business owners and female workers, faced gender discrimination and, at times, felt the need to put on a more serious, tougher demeanor at work.

CONCLUSIONS AND RECOMMENDATIONS

- Messaging by the NWBC and its stakeholders to women business owners should:
 - Help women to see how to remain true to their motivations for business ownership (i.e., flexibility, work-life balance, etc.) while accomplishing business expansion and wealth creation.
 - Acknowledge the multiple roles that women play and their desire to perform well in each of these roles.
 - Focus on risk management and positioning for opportunity as part of business growth planning and implementation.
 - Emphasize problem-solving to achieve goals and encourage use of resources and tools to support owners as they grow their businesses.
- The segmentation of women business owners, as defined in this study, raised few distinctions among the owners. Thus, it does not seem necessary to focus messaging by segment.

INTRODUCTION

Research Context

The research goal of the National Women’s Business Council (NWBC) for this project was to explore and develop preliminary criteria for segmentation of the women entrepreneur market and gain insights into their risk tolerance, motivations, and expectations. This research is part of a larger effort by the NWBC to identify segments of women entrepreneurs in order to inform more precise targeting of resources.

Through this exploratory research, the NWBC sought to provide a basis for communication and, possibly, program and policy initiatives directed

toward women entrepreneurs and business owners by the President, Congress, and the U.S. Small Business Administration (SBA).

The research is meant to inform the NWBC, and subsequently its constituents, about considerations when messaging to women entrepreneurs and to identify opportunities for more targeted and generalizable research in the future. This study was deliberately limited in scope, and readers should bear this in mind when reviewing its findings.

Research Questions

Past research has indicated that women business owners do not perform as well because of self-limiting perceptions, a tendency to risk aversion, and reasons for entrepreneurship.¹ Thus, Public Policy Associates (PPA) studied women business owners' risk tolerance, motivations to grow their businesses, and their expectations for business performance. Perceptions, patterns of behavior, and cultural factors influencing business decisions related to growth were addressed. The specific research questions are included in the Findings section of this report, as well as in Appendix A.

Data Sources

PPA conducted a review of published studies and NWBC-provided Census data reports. The materials from this review contributed to the identification of criteria for the segmentation of women business owners and formulation of hypotheses for the study. Using this information, PPA identified four segments and a set of screening factors—explained in the Methodology appendix—as the foundation for the primary research.

The sources for the primary research were women entrepreneurs who fell within these segments and met additional criteria. For logistical and budgetary reasons, participants were drawn from three metropolitan areas: Houston, Los Angeles, and Washington, D.C. The research team conducted focus groups and telephone interviews with the women recruited from these regions, looking across and within segments to address the research hypotheses.

Overview of the Participants and Their Businesses

The data collection took the form of eight focus groups (four in Washington, DC and four in Houston) and individual telephone interviews with owners from all three locations. All participants were pre-screened via telephone and provided with an incentive for their involvement. In total, PPA spoke with 81 owners between August 1 and September 26, 2013.

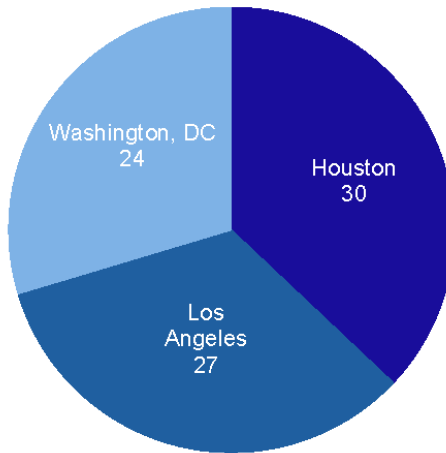


Figure 1. Distribution of Participants by Location.

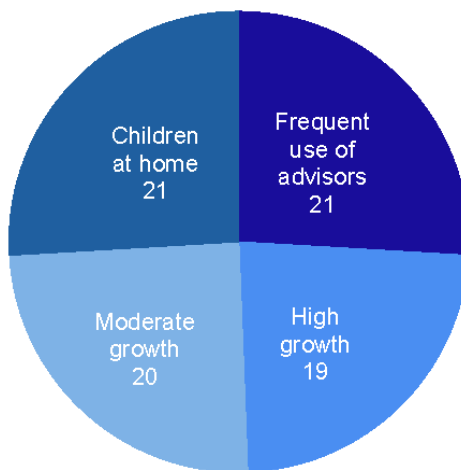


Figure 2. Distribution of Participants by Segment.

Table 1. Sector Representation

Sector³	Businesses
Professional, Scientific, and Technical Services	43% (35)
Health Care and Social Assistance	21% (17)
Educational Services	12% (10)
Construction	11% (9)
Other Services	1% (5)
Information	<1% (3)
Manufacturing	<1% (1)
Leisure and Hospitality	<1% (1)
Financial Activities	0% (0)

Overall, the women in the study tended to be more diverse, more educated, and older than the population of women business owners nationally. However, they were roughly similar in terms of business size (defined as gross receipts and number of employees). National data, where available, are provided for comparison purposes alongside the study participants' demographic and business data, but this is not meant to establish the representativeness of the participants for generalizability; as noted earlier, this study was not intended to be representative of the nation's women business owners.²

- About 70 percent of the businesses owned by the women in the study were less than 15 years old. The youngest two businesses were a year old; the oldest had been operating for 41 years.
- As Figure 3 (below) shows the capital needed to start the businesses varied widely, with 11 percent needing no capital and 12 percent needed more than \$100,000; the largest capital requirement was \$500,000.
- The main source of capital by far was personal or partner savings (73 percent), as show in Figure 7 (below). Cash, 401(k) retirement accounts, investments, home equity, and inheritances fell under this category. Only 8 percent of the owners reported having a bank or SBA loan. Nationally, nearly one-third of women did not need any capital to start their business. The main source of startup capital for women-owned businesses nationally was also personal sources (76 percent), while about six percent obtained a business loan from a bank or financial institution⁴

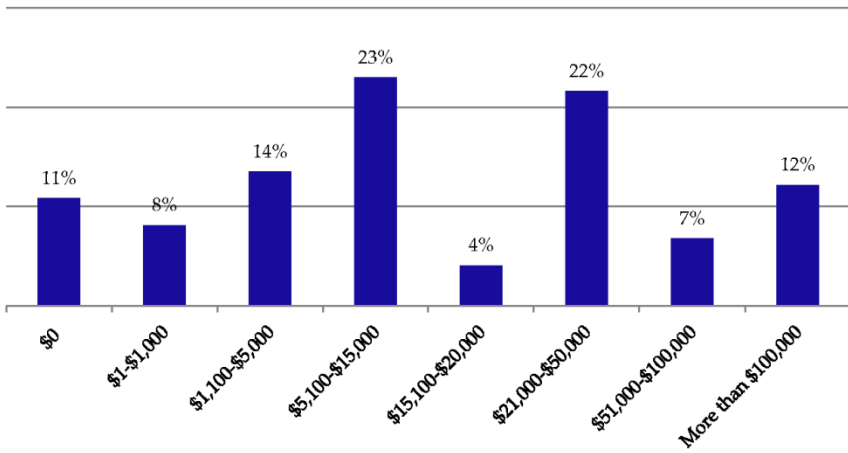


Figure 3. Amount of Capital at Startup, n=74.

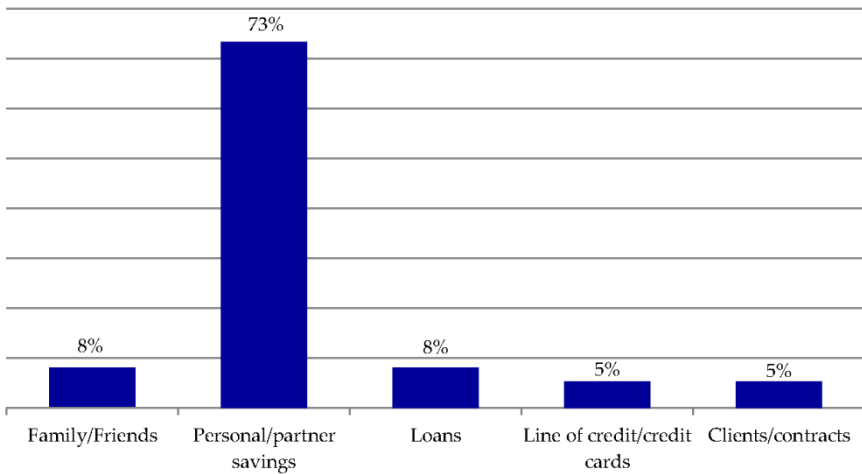


Figure 4. Sources of Startup Capital, n=75.

- Eighty-seven percent of the participants represented four of the nine focus sectors. Nationally, the top industries for women-owned firms included health care and social assistance (16 percent); other services (16 percent); and professional, scientific, and technical services (14 percent).⁵ (See Table 1 above).

- Sixty percent of owners reported that their businesses were profitable within one year of operating. Another 23 percent were profitable within two to three years.
- The women business owners in the study were well-educated. Seventy-one percent had a four-year degree or more (noted in blue in Figure 3). Eight percent held doctorate degrees. According to a 2007 U.S. Census Bureau Survey of Business Owners, half of women business owners had an associate's degree or more at that time, one-quarter had a bachelor's degree, and 16 percent had an advanced degree. The educational distribution for men business owners was roughly the same.⁶
- The women ranged in age from 28 to 87. About 70 percent of the owners, however, were middle-aged, falling between 45 and 64 years old, compared to 53 percent of all women business owners.⁷
- Forty-five percent of the women were first-time business owners. Nine percent had owned four or more businesses over their careers. The remaining 45 percent had owned two or three businesses.
- The women came from diverse racial backgrounds, as shown in Figure 5 (below). Among those who reported their ethnicity, nine percent of the women identified as Hispanic or Latino. Nationally, 82 percent of women business owners are white, 12 percent are African-American or black, and 10 percent are Hispanic.⁸

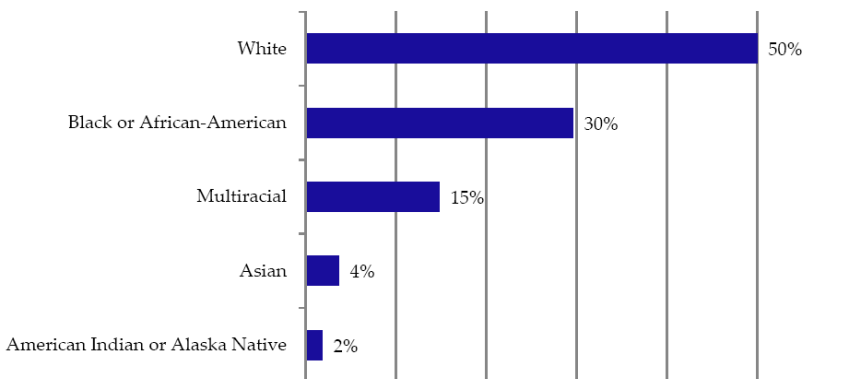


Figure 5. Race of Study Participants, n=54.

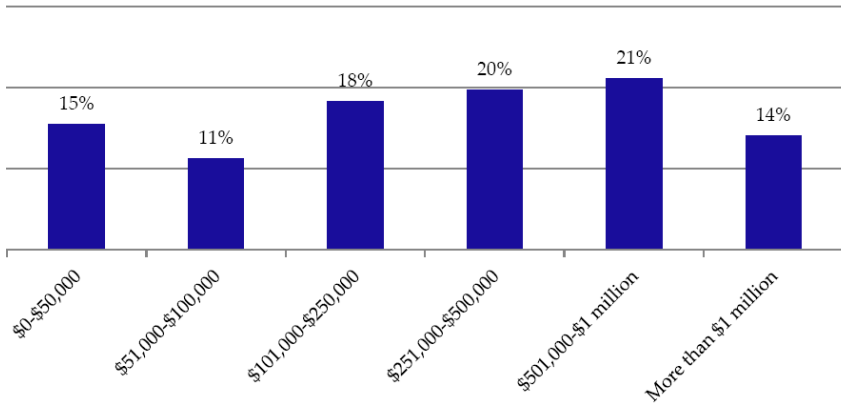


Figure 6. Reported 2012 Gross Receipts, n=71.

- Figure 6 shows the participants' gross receipts. The 2012 gross receipts of the businesses also varied greatly, ranging from no income to \$4 million. The median was \$300,000, compared to the national median of \$210,000 for woman-owned businesses with employees.⁹
- Employment size, not surprisingly, varied as well. The largest business by this measure had 110 employees, although the median was five. Seventy-six percent of those in the study had nine or fewer employees compared to 72 percent of women-owned employer firms in the U.S.¹⁰

FINDINGS

Questions Addressed and Hypotheses Tested

The research study was grounded in the NWBC's concerns about data that showed that women, despite owning 29 percent of U.S. businesses, do not achieve economic parity with men in terms of receipts.¹¹ In 2007, businesses owned by women had \$1.2 trillion in revenue, which was far less than the \$8.5 trillion generated by men-owned businesses. If women-owned businesses contributed their proportional share of the revenue, they would add another \$1.6 trillion to the economy.¹² This represents a loss of potential for the owners, their employees, and the country's economy overall. In addition, previous research found intriguing differences in how women and men business owners approach entrepreneurship. For instance, men are more likely

to cite financial gain as a reason for becoming a business owner, as compared to women who focus on work-family balance as a reason for owning a business.¹³ Women have also been found to be more risk averse than men when it comes to fundamental business decisions such as choice of business type and size.¹⁴ This study sought to push further in understanding the motivations, expectations, and risk tolerance of women business owners. The resulting insights could then be used by the NWBC to direct future research and assist with encouraging the growth of women-owned businesses.

After reviewing the literature, PPA formulated eleven hypotheses focused on understanding the beliefs and behaviors of women entrepreneurs around business growth. Specifically, these focused on risk, motivations, and expectations for growth and the influencers on women business owners that may lead them to their perspective on business growth. In the following sections, the research questions and hypotheses are addressed, drawing on primary and secondary data. Although risk, motivations, and expectations are treated separately, they do intersect often and are interrelated.

Risk Tolerance

A business venture is inherently laden with risk. The commitment of resources, obligations to employees and vendors, and other acts of business run risks for the owners, who are ultimately responsible for the outcomes. However, not all business owners view risk in the same way; for some, in order to achieve their goals, the balance tips in favor of the potential outcome rather than the risk. The point at which this balance shifts for one owner versus another is a crucial consideration in understanding business growth.

Research Question 1

How do women entrepreneurs perceive risk, and do different groups of women entrepreneurs have different orientations to risk? Are there differences in how different groups of these entrepreneurs handle risk?

According to a 2011 survey of women business owners, only four percent of women were willing to take aggressive risks when making business-growth decisions; women were much more likely to prefer taking moderate (35 percent), balanced (27 percent), or conservative (22 percent) risks to achieve potential growth.¹⁵ In addition, overall, women have relatively low business income expectations. Women entrepreneurs had a median first year income expectation of \$30,000 and a median fifth year expectation of \$60,000.¹⁶

In thinking about risk tolerance or comfort with risk, those entrepreneurs who aspire to grow are presumably more likely to take more risks to achieve that goal than those who do not. A 2006 study of women entrepreneurs found differences between entrepreneurs with a high-growth strategy and those who had a moderate-growth strategy. These differences are summarized in Table 2, below.

Women entrepreneurs with a high-growth strategy had higher expectations for business performance and were also more likely to aspire to create wealth through their businesses (e.g., grow and sell their businesses for capital gain, realize more profits, etc.). Women with moderate-growth firms had less ambitious expectations for business performance; for instance, the business was serving to replicate an owner's income received through outside employment.

Table 2. Differences in Women Entrepreneurs by Growth Strategies¹⁷

	High-Growth Strategy	Moderate-Growth Strategy
Growth motivations	Desire to be rich, challenge, prove self, happiness, satisfaction, more profits	Sustainable income, family financial security
Characteristics of growth aspirations	Motivated by the challenge, competitive, goal-oriented	Control growth at levels consistent with life styles and family needs
Personal implications	Satisfaction of work in their life, strongly identify business as extension of one's self-concept	A tool for income substitution, financial security, and accommodating other life priorities
Attitude toward debt	Tool to achieving their end goal	Avoid external funding to grow the business, assume debt only when necessary
Long-term goals/ expectations	Strategically grow business to a good financial point for the purpose of selling for an appreciable capital gain	Growth to culminate with the sale of the business, handing the business over to family, or retaining ownership with passive growth
Obstacles to strategy	Gaining access to "old boys' club," difficult business environment, competitors, personal managerial skills, inability to hire qualified employees	Personal background and training, family responsibilities, access to bank financing

According to another study of women entrepreneurs, high-growth oriented entrepreneurs were more likely to take risks in order to pursue growth of their business.¹⁸ For example, the high-growth oriented entrepreneurs:

- Opted to own and grow their business despite earning less than they could have elsewhere.
- More readily gave up a promising career for business ownership.
- Put aside some of their other personal or family goals and incurred sacrifices or penalties in order to grow their business.

Based on this research, PPA formed the following hypotheses.

Hypothesis 1

Higher tolerance for risk will be correlated with motivations for wealth creation.

Not supported

Hypothesis 2

Women entrepreneurs who are more comfortable with taking risk have higher expectations for business performance.

Supported

Hypothesis 3

Women who have high-growth firms are more likely to have higher expectations for business performance.

Indeterminate

In order to answer Research Question 1, women in each of the four segments were asked to describe what risks they would be taking to achieve their growth goals. Based on their responses to this question, the women's tolerance for and comfort with risk was determined.

- Women who demonstrated that they either already had or planned to take risks to grow their business were identified as having a clear comfort with risk.
- Women who said that they would take some risks, but not others (e.g., they opposed taking financial risks), were risk hesitant.
- Those who demonstrated risk avoidance or said that they were not risk takers were risk averse.

Once these risk groups were established, the expectations for business performance among the groups were compared. Examples of how expectations for business performance were categorized are described below:

- *High expectations*: Substantial increases in revenues and/or number of employees, opening offices in new locations, building the business in order to sell it, or expanding outside of the U.S.
 - *Response example*: “I would like to be at least tripling my income and have three times as many employees.”
- *Modest expectations*: Rebuilding/getting the business back to where it had been previously or slight increases in revenues and/or number of employees.
 - *Response example*: “I would want more people . . . but not too many. I don’t aspire to be some massive company.”
- *Low or unclear expectations*: Keeping the business stable, sustaining current clients/contracts, or no specific plans.
 - *Response example*: “I’m toward the end of my career. I want more stability now. We’ve focused on getting large clients and sustaining them.”

Using these categories, roughly half of the study participants had high expectations for their business performance. Women who demonstrated a clear comfort with risk generally also had high expectations for business performance. Interestingly, a number of women said that their expectations and goals were not formulated clearly until they gained more experience as a business owner. Only once they were established did they begin to think seriously about hiring additional staff, offering new services, or adding new locations.

The women who had a higher tolerance for risk in this study were, however, no more likely than the others to be motivated by wealth creation. In general, not many women were motivated to make their businesses more valuable in order to gain personal wealth. In some cases, women did say that they wanted to be able to save enough to retire comfortably, but that was not limited to those comfortable with taking risks.

There was no clear pattern for business owners who were risk hesitant or risk averse; their expectations for business performance over the next five years varied.

The growth rates of the women’s businesses were not measured for this study; instead, the women were asked to share how many full-time equivalent

employees they had added in the past five years. Looking across segments, women in the high-growth and moderate-growth expectations group did not differ from the other segments in the number of full-time equivalent employees added in the past five years. Since the U.S. economy suffered an economic recession during part of that period, it is not surprising that growth was not greater. It is also the case that one’s aspirations for growth are not always aligned with their actual experience.

Significance for the NWBC

Business owners who already have high expectations and comfortable with risk are already on track to grow their businesses. For them, it may be simply a matter of timing and knowledge. For others with lower expectations or less comfort with taking risks, the strategy may be more complex.

As shown in the figure below, more businesses owned by younger women (those aged 34 or younger) both close and expand when compared to older business owners.¹⁹ It is possible that this is because younger business owners were more risk tolerant. Also, a high percentage of start-up firms fail within the first few years.²⁰ Those businesses that survived that key phase likely showed some growth and approved they were able to remain in business. Thus, these businesses are best positioned to take on expansion plans. Combined with owner age, then, the age of the business are factors to consider in understanding growth patterns.

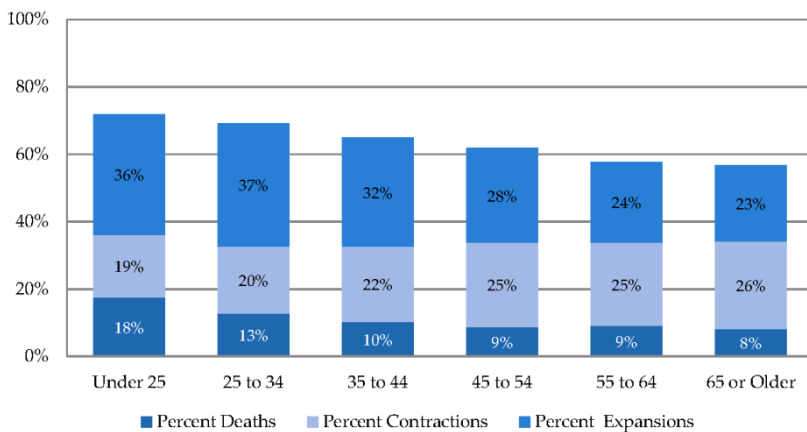


Figure 7. Business Outcomes by Age of Women Business Owners, 2007-2008.

Additional research may provide an opportunity to identify when women business owners are most receptive to taking risks for their businesses, and thus, most open to messaging about business growth

Research Question 2

If women business owners are more risk averse than men business owners, why do women-owned businesses have a lower survival rate than men-owned businesses?

Women-owned businesses generally have a lower survival rate than men-owned businesses; a 2007 Census survey revealed survival rates for women-owned business of 66 percent while men-owned businesses were around 72 percent after four years.²¹

In three sectors with high percentages of women-owned businesses (health care and social assistance; professional, scientific, and technical services; and other services), women-owned firms with less than \$50,000 in receipts were most likely to close; while those with \$1 million or more in receipts were the most likely to expand.²² Given that expansion and contractions are measured in terms of hiring or losing employees, it makes sense that firms with larger receipts were the most likely to hire more employees.

However, since women business owners tend to be more risk averse than men business owners,²³ one might expect that those business owners who take fewer risks would have smaller, more stable, firms.

Hypothesis 4

Firms that have owners who are averse to risk are likely to have lower growth or to be more stable.

Indeterminate

While the primary research did not address survival rates, the participants provided valuable insights about the inherent risks that come with business ownership. Roughly half of the study participants were categorized as risk hesitant. The risks mentioned most often by the owners in the children-at-home segment were related to their reputations, personal finances, and personal time availability. In the other three segments, the risks discussed were more often related to business development investments and business finances.

Overall, only a small proportion of the owners were risk averse (that is, they were opposed to taking any risks to grow their business), making it difficult to draw any conclusions about their growth expectations on the

whole. A couple of the women said that they were just financially conservative by nature, and one said that she was not willing to take risks because she was concerned about the state of the economy. However, the inherent instability of micro-businesses, as discussed above, may be more important than the avoidance of risk. The riskiest strategy may, in fact, be the unwillingness to take necessary risks.

“Business does come with risk.... You just kind of have to gauge [it] on a case-by-case basis. It’s a balance between logic and intuition.”

Significance for the NWBC

Business development was often mentioned as a risk with many of the women hesitant to spend time and resources without reasonable assurance that those investments would pay off, which certainly could be limiting growth. There are no guarantees in business, but perhaps there are messages or resources that could increase women business owners’ general acceptance of risk. The NWBC should shift the discussion of risk; instead of encouraging “risk-taking,” the council might focus on risk management. It may be that owners who appear to be willing to take big risks are in fact just better at seeing how to manage or mitigate the risks required for successful business ownership (this would require further research). Nonetheless, owners with children at home may still be less responsive given the other risks they identified.

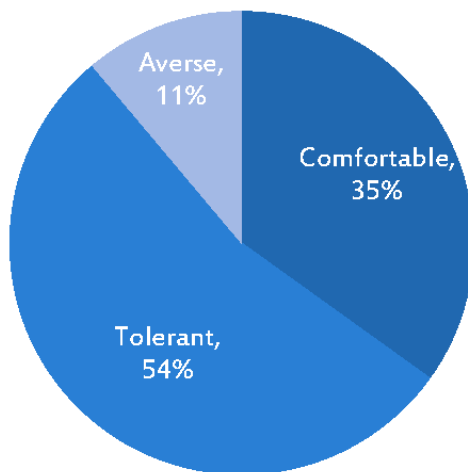


Figure 8. Participants’ Risk Tolerance Levels (n=63).

Research Question 3

What role do financial literacy and use of external resources like training and market research play, and are there relationships between access to and utilization of resources and a higher tolerance for risk and greater expectations for business performance?

Secondary research demonstrating a linkage between financial literacy and risk aversion for small businesses or small business owners was not found. However, prior research by PPA showed that many business owners use outside resources, particularly for managing finances. A PPA survey of 1,800 business owners found that virtually all respondents were using outside advisors for some purposes. The top three outside services sought were a CPA or accountant (90 percent), banker (77 percent), and a lawyer (75 percent).²⁴

In addition, there is some evidence that seeking outside guidance does, in fact, help to strengthen a business. For example, in one study, small firms who used outside advisors (financial, legal, etc.) saw a 76 percent gain in revenue over three years, as compared to those who did not have advisors.²⁵ Thus, it could be argued that by seeking out these resources, women business owners might ease their concerns about risk.

Hypothesis 5

Women business owners with strong financial literacy will be able to employ more resources to minimize or manage risk to strengthen their business. Similarly, women that employ more outside business development resources will be less risk averse than those who do not.

Indeterminate

To determine whether or not the study participants had strong financial literacy, their educational background and the nature of their business was considered, along with any other comments regarding their level of financial knowledge. For example, a woman who had a financial planning or accounting company or who had business training (e.g., master's in business administration, associate degree in business management, etc.) was considered to have strong financial literacy. Very few women were determined to have strong financial literacy based on the information that they revealed in a focus group or interview. Therefore, this aspect of the hypothesis can neither be supported nor refuted.

“I hired an attorney, CPA, and bookkeeper on a part time or as-needed basis because I knew that was a pretty big knowledge deficit for me.... I interviewed to find the right fit that would work for me. I knew where my gaps were... I was able to supplement [the gaps] with the knowledge experts to help guide me through the business processes.”

As found in other studies, many study participants said that they used one or more outside business resources, and among all study participants outside resources were seen as tools that could help mitigate risk at the startup phase of a business in particular. Some common concerns when starting a business included managing the financial and administrative aspects, finding qualified staff, and marketing the business. Women in all of the segments agreed that a CPA, bookkeeper, and a lawyer were all essential resources for starting their businesses.

“I would love to have a woman role model in my line of work... who has run and managed it successfully two to three tiers above where I am... to [help me] think about all of the issues...”

In addition to legal and accounting providers, some participants mentioned seeking advice from banks, Small Business Development Centers, chambers of commerce, SCORE, and industry-specific associations at various points during their business ownership. Professional development and networking events such as trainings, conferences, and association meetings were often reported as other resources that the women used to expand their knowledge and stay up to date on industry issues. These were also seen opportunities to connect with potential clients or partners. Notably, however, a few of the women remarked that, in their experience, some owners only attend networking events or association meetings in order to gather information on their competitors, rather than to share their knowledge and experience. This deterred them from participating in such events. Some saw this as akin to similar difficulties with establishing mentoring relationships, commenting that competition also affects women-to-women business owner mentoring.

In order to determine if the use of outside advisors could be related to comfort with risk, PPA compared the risk preferences of women who provided specific examples of the multiple business resources they used to those who made no mention of using outside resources to date or who had only used one or two resources. No evidence was found that owners who used more business resources were more comfortable with risk than those who did not.

Significance for the NWBC

On the whole, the owners in the study were readily able and willing to seek outside advisors when necessary to complement their skill sets and knowledge, or those of their staff. However, they less frequently sought help to make business development plans or otherwise support business growth. Thus, it may be that awareness of such offerings could be increased through marketing the services of Women Business Centers (WBCs), SCORE, or Small Business Development Centers. Particularly valuable may be second-stage business assessment, expansion planning training, or similar resources for those women business owners who are beyond the startup stage, but are not confident about how to pursue growth on their own.

In addition, peer groups where women and men business owners (perhaps at similar stages of business) would be beneficial as women consider growth opportunities. Messaging could emphasize that women business owners are not alone, and that there are local, regional, state, and national resources available. Additional research might identify the specifics of what women business owners would like to gain from peer interactions and resource providers.

Motivations

Foundational to business ownership is the choice made by an individual or group of individuals to become an entrepreneur. The motives behind the choice can be varied, and while equally legitimate, they then affect the goals set for a business, and more specifically, begin to differentiate the growth plans of one business from another's. The original personal motivations for becoming a business owner may well drive the subsequent path that a business takes.

<p>Research Question 4</p>

<p><i>What motivates women entrepreneurs, and are different groups of entrepreneurs motivated by the same or different things? What accounts for the similarities or differences, and are there patterns or relationships?</i></p>
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There is an abundance of existing research on women's motivation for starting businesses. It is well-documented that women tend to be motivated to start a business for increased flexibility, work-family balance, and financial stability.²⁶ Going beyond those factors, a 2008-2009 Kauffman Firm Survey

(KFS) specifically explored financial and psychological factors that motivated successful women entrepreneurs. The following five factors were among the most commonly cited by the survey respondents as to their motivations:²⁷

- The desire to build wealth
- The wish to capitalize on business ideas that they had
- The appeal of a startup culture
- A long-standing desire to own their own company
- Working for someone else did not appeal to them

Seventy-three percent of the women entrepreneurs surveyed who founded a successful firm in a high-growth industry indicated that at least part of the reason for becoming entrepreneur was to build personal wealth. Of men entrepreneurs surveyed on this question, 76 percent indicated that at least part of the reason for becoming an entrepreneur was to build personal wealth.²⁸

Hypothesis 6

Women are often motivated to start a business in order to have more flexibility, work-family balance, and financial stability.

Supported

Among study participants, the most frequently cited reason for starting a business was to have greater independence; a lot of the women aspired to be their own boss and to do things their own way. This was true for each of the four segments. While somewhat related, a desire for independence is different than wanting more flexibility and work-life balance. Increased flexibility and work-life balance were lifestyle-oriented motivations (i.e., setting one's own hours) as opposed to independence, which seemed to reflect a desire to be the one making decisions and influencing their own career course and the outcomes of their work efforts. This seems to reflect the findings of the Kauffman findings.

"It is [about] being independent. I don't want to, in a sense, be under someone else's control. I like doing what I think is important... just being your own boss and being able to create something that you feel is important is valuable."

Owning a business afforded many of the women more control and a certain amount of flexibility, but it was clear that it did not mean that they

were working any less. Women often pointed out that they were putting in a tremendous amount of work, sometimes working late at night after children were put to bed, but that they preferred to directly benefit from their labor, as opposed seeing their employers reap the benefits of their labor.

Even so, flexibility and work-life balance were also frequently cited by women in each of the segments. Many of the participants noted that they were not able to spend as much time with family as they would have liked when they were working for someone else. Having the ability to set their own hours or to work varying hours was seen as a huge advantage of starting their own businesses. Wanting to contribute to the community or help others was also a common response, for which the women desired increased flexibility as well as the ability to hire employees.

Very few women said that they started a business in order to have more financial stability. However, a handful of participants did report starting their businesses after being laid off.

“I have two boys and that’s [the main] reason why I started the business—the need to have some flexibility in [my] day and being able to participate in family life.”

While less frequently cited, a small, but notable number of women said that they had a family history of entrepreneurship. They attributed exposure to business ownership through family members with instilling in them an entrepreneurial spirit.

Significance for the NWBC

The reasons women go into business ownership are well-documented, although the emphasis on independence and personal gratification were more prominent in this research than might have been expected. Messaging to women business owners should acknowledge their diverse, but aligned motivations. As with risk, an owner that holds tightly to all major decisions and administrative functions may be compromising her ability to grow her business. Women who sought independence or flexibility through business ownership may feel that expanding staff or locations—common business growth strategies—undermine their original motivations. Helping women to find ways of approaching growth while also maintaining what they value most about business ownership would be a critical service.

Hypothesis 7

Women entrepreneurs who enter high-growth industries or who have high-growth expectations are motivated by wealth creation.

Not supported

Wealth creation did not make the top of the list of reasons that women in this study were motivated to start their businesses, even in the high-growth and moderate-growth strategy segments. It may be that the women in the study differed in some way from those of the 2008-2009 Kauffman Firm Survey that has resulted in a different finding on this point. All of the women in the study were in high-growth industries, and only a few expressed that their industry's performance motivated their business ownership decision. Based on the information shared during the study, industry choice was most often made according to the women's own professional experience or that of a spouse or partner.

One distinction among the segments was that more women in the high-growth expectations segment said that they started their businesses in order to capitalize on an opportunity or to fill a gap in the market than women in any of the other segments. In some cases, the timing was just right to take over from someone else, while in others the women saw a new niche opportunity in their industry. This is consistent with the Kauffman findings that successful women were motivated by the desire to capitalize on business ideas that they had. Starting a business under these circumstances may also influence the women's expectations for growth; taking control of an existing business or feeling confident that a service or product fills a void likely bodes well for their growth potential.

"To serve the clients... and to be able to fill a need that was there in the industry [is why I started]. I am almost one-of-a-kind. The need was not serviced before; it really worked. I'm amazed at how much we are needed."

Significance for the NWBC

Recognizing the opportunities for business expansion and positioning themselves to take advantage of opportunities—as some of the high-expectations segment participants had done—would seem to be a fruitful possibility for increasing business growth by women. Most likely this would take the form of services or informational resources directed to women.

Although wealth creation was not mentioned by the study participants as a motivator for starting a business, secondary research suggests that it is a reason that some women want to own a business. Based on the study findings, messaging prominently highlighting wealth creation would not be appealing since this is not a primary motivator. However, messaging that recognizes that business ownership is a viable path to generate wealth, including adequate retirement savings, and that provides strategies to help owners get to that point, would likely be valuable to women business owners of all ages. In general, the value of business growth in connection with other goals, like helping one's community or family, may resonate better.

Expectations

Not many entrepreneurs would say they expect to fail. They can, however, differ radically on what constitutes success, resulting in varied sets of expectations for that success. Of course, expectations might shift over time given factors such as market conditions and personal knowledge and experience. The extent to which an owner aligns expectations and acts to fulfill those goals is another consideration in understanding business patterns over time. Understanding the intersection of expectations and business growth are important inputs into the U.S. economic picture.

Research Question 5

Do different groups of women entrepreneurs have similar or different expectations for their business performance and potential? What accounts for any similarities or differences, and are there patterns or relationships?

As discussed under Risk, Hypothesis 5, there is the question of how access to and utilization of resources influences expectations of performance. While there is not much research on the effect of expectations surrounding the utilization of outside resources and counseling of women business owners in particular, a study for the U.S. Small Business Administration (SBA) examined the effectiveness of face-to-face counseling and training provided by various entities within the SBA. That study found that, of those who participated in counseling at Women's Business Centers,²⁹ about a third reported that increased profit margins were directly related to the counseling received. Additionally, about one-fifth of participants reported hiring new staff as a direct result of the counseling that they received.³⁰ These findings suggest

that utilizing outside resources helps women improve the performance of their businesses. For those women business owners who intend to grow their businesses, it may be that seeking out and utilizing additional resources may go hand-in-hand with having higher expectations for their businesses.

Hypothesis 8

Women entrepreneurs who access and utilize resources have higher expectations for business performance.

Not supported

There was no evidence that women who used more business resources had higher expectations for business performance than those who used fewer resources. Even some women who had not used any outside business resources had very high expectations for business performance. However, it seemed that having outside guidance provided a certain amount of assurance that the owners were making informed decisions; this could in turn influence a woman's expectations for business performance.

One woman spoke of setting up an internal board of advisors when she started her business. She recruited five business people with different backgrounds to serve on the board; she noted that this approach was much more valuable to her than ad hoc advisors would have been. The board advised her for the first ten years that she was in business. They vetted ideas, provided advice, and established an accountability structure that she reported was crucial in helping to secure outside funding.

"I'm sure I could use some small business services and marketing services. The problem is the money to pay for it."

Research Question 6

How do women business owners characterize their growth aspirations? How do growth aspirations vary among women business owners?

Significance for the NWBC

While no connection between resource use and expectations was found in this study, other research suggests that such resources do make a difference in business success, and the two logically should be related if such services are effective. Future research might focus on what resources, cost levels, and

messages appeal to women business owners and increase their use of such supports to business growth.

There are many ways that experts measure the growth of small businesses. However, the way that a small business owner views their growth may depend on that individual. Women business owners may characterize their growth aspirations in regards to growth in revenue or number of employees, firm stability, income to the owner, increased market share, or other ways. Ultimately, how growth is defined may serve as a proxy for the type of business growth that a women business owner seeks to attain.

Hypothesis 9

Women business owners characterize growth aspirations in a number of ways.

Supported

Growth aspirations were, in fact, described in a variety of ways by the study participants. The women were asked to talk about the ideal size of their business in five years. Across all segments, growth was most often characterized as an increase in revenues. Also, frequently mentioned were growth in terms of number of employees, number of locations, and number of clients/contracts. Not surprisingly, many women noted more than one area in which they aspired to grow (i.e., increase revenues and hire more employees). Other growth aspirations mentioned included offering different services to better assist clients, franchising, moving into a larger space, and increasing their own income. There were no systematic differences among the segments.

For many women, business growth was tied to their perceptions of success; growing the business meant that they would attain personal or professional success. These women said that they were motivated to grow in order to stand out, to prove that they can be successful, or to have a personal sense of accomplishment.

“Success makes me happy. Putting a stamp on something that you’ve worked on, the satisfaction that all those 20-hour days meant something.”

Significance for the NWBC

When messaging to women business owners, descriptions of business growth can take multiple forms and will be recognized by owners as familiar to their own ideas about what constitutes success for their business. However,

this should also tie in with personal and professional recognition for the owner, again with an acknowledgement of common motivations for business ownership by women.

Research Question 7

To what degree do women business owners undertake activities aligned with their intent to grow?

“Intent to grow” differs from a desire to grow in that it implies commitment and action. Steps to support growth might include careful business planning, vigorous implementation of the business plan, the creation of an infrastructure that can support growth, the use of outside advisors to help identify and overcome barriers to growth, and an adaptation to changing conditions.

There is existing research that indicates high-growth oriented women entrepreneurs were significantly more likely than their more moderate-growth oriented peers to pursue the following:³¹

- Market expansion
- Technological change (e.g., acquiring new equipment or service and computerizing current operations)
- Financing (e.g., seeking professional advice and applying for loans)
- Operations planning
- Organizational development

These results suggest that women entrepreneurs with high-growth intent are, in fact, making strategic decisions that best positioned them for growth.

Hypothesis 10

Women entrepreneurs who are highly motivated to grow their firms take tangible, consistent steps toward that end.

Supported

The high-growth and moderate-growth expectations segments were compared to test this hypothesis. Most of the women in both of these segments reported taking tangible steps to meet their growth goals. These steps included hiring additional staff to assist with outreach efforts, purchasing new equipment or leasing new offices, seeking grants or applying for a line of credit, looking for opportunities to partner, and writing unsolicited proposals.

One difference between the segments was that more women in the high-growth group specifically mentioned increasing marketing efforts than did woman in the moderate-growth group. Those women saw developing a concrete marketing plan as an important investment in reaching new customers, a key step in expansion.

“In today’s market, if you’re not growing you will become obsolete or go out of business. I don’t think you can slide into neutral at any phase or at any age. You are either growing or you will no longer be competitive. We’re looking at where we can actually work in collaboration with competitors. That one reason we’ve grown to this level.”

Hiring additional staff was mentioned equally by these two segments. The new employees allowed the women to have more capacity to undertake business development efforts such as pursuing new business markets or establishing or increasing their social-media presence. However, difficulty finding high-quality employees was frequently mentioned as a barrier to expanding the businesses. Numerous participants expressed concerns about not finding employees who had the drive, attitude, and professional disposition that they desired. A few of the women explicitly preferred to hire older, more experienced employees. These experienced workers were said to require less managing and were more capable when it came to establishing company reputation and getting new business.

“As you grow, more regulations come into play... That’s a concern because after a while you can’t handle all of that paperwork.”

Hiring only experienced workers also has implications for growth given higher associated costs for recruiting and compensation. Several women in the high-growth segment said that their path to growth would be easier if they were to hire junior staff, but that they did not want the responsibility that comes with having to spend more time managing those employees. For many of the smaller firms, the owners relied on subcontractors or ad hoc partnerships with other firms to get larger projects or clients. This seemed to be a means of lessening risk while also pursuing business growth.

Along a similar line, PPA noted that some of the owners felt strongly that they needed (wanted) to be involved in all aspects of the business management due to lack of trust in staff or consultants, high standards of performance, and/or a sense of personal responsibility tied to the business services and

products. For example, a few of the women with sizable staffs were still handling payroll. For other participants, the costs, requirements, and organizational changes needed to make their growth plans possible were key concerns. For example, hiring a consultant to help with strategic planning or hiring someone just to do business development were, in many cases, not feasible due to the high cost.

Significance for the NWBC

Once women business owners have a clear plan for business growth, they generally seem comfortable with taking most necessary steps. Understanding that hiring is a major concern, messaging and resources may include more emphasis on this component of growth and provide guidance on organizational models and development strategies.

The trouble transitioning from a “hands-on” owner to one that employs others to help with business administration was a concerning theme. If these companies have good potential, this reluctance to trust others with control of vital operations may be hindering growth. It was not clear whether these women were aware of the implications of their style of management, but there may be value in encouraging these kinds of owners to harness the resources in their community (e.g., training on how to hire quality staff, financial checks-and-balances measures to put in place within their organization, etc.). These owners may respond best to retaining control in business-growth decisions.

Cultural Influence

While culture in the United States is a complex concept, a pervasive, historically-rooted set of values, beliefs, and behaviors exist that affect individuals over their lifetimes. Gender is certainly one prominent manifestation of culture; the general culture influences how children are raised, what actions are considered acceptable for men and women, and how interactions in different social settings should be carried out. This cultural influence could, then, very well be expected to be expressed in the choices and experiences of women entrepreneurs.

Research Question 8

To what extent do the self-perceptions and business ownership results of women appear related to differences in U.S. cultural norms by gender?

Gender roles in the U.S. persist in playing a role in the work-life balance of women. Secondary research shows that even while gender roles have become less rigid since the mid-to late-twentieth century, there remains a reality that, overall, women in the workplace continue to hold more responsibility than men when it comes to children, household tasks, and general household decision making.

A 2008 study by the Families and Work Institute took a close look of the division of duties between genders.³² About two thirds of women with children reported that they took the most responsibility for child care, while only about half of working men said that they took primary responsibility for childcare. For working women and men, on average, women spent more time with their children under 13; mothers spend an average of 4 hours per workday with children versus men who spend an average of 3.1 hours per workday with their children.

More working women also reported taking the most responsibility for cooking (67 percent of women versus 55 percent of men) and cleaning (71 percent of women versus 53 percent of men).³³ Overall, women who were married or living in a couple also reported making most of the household decisions (weekend plans, major purchases for the home, etc.); 43 percent of women surveyed reported that they made more of the household decisions than men.³⁴

For both men and women, there are several factors that each group identifies as important predictors of feeling increased work-life conflict. Working men identify a greater number of factors that predict work-life conflict than women; however, women are more likely to identify a smaller group of factors as adversely affecting their work-life balance.³⁵ A passion for the business and personal satisfaction are also key motivators for women starting and staying in their own business.³⁶

Given these factors, it is logical to conclude that cultural norms and expectations affect the amount of time and effort that women are able to devote to their business and also influence the choices that women make about business growth.

Hypothesis 11

The risk tolerance, expectations, and motivations of women business owners are affected by cultural norms and expectations.

Supported

Across all segments, many women referenced cultural norms and expectations that have affected the ways in which they conceive, develop, and run their businesses. Beginning with business startup, taking on a larger share of the responsibilities for child care affected motivations and expectations for many women. As was noted for Hypothesis 6, numerous participants said that they started their business in order to have the flexibility to spend more time with their children. In a number of cases, the business was initially run from the woman's home. Several noted that this approach had some drawbacks; in particular, using the home as the business office had implications for relationships with clients. It was noted that a home was not perceived to be as professional by clients as having a separate office, and that growth would not be feasible unless they moved outside of their home.

“My husband can be working 18 hours a day and not seeing the kids... and he doesn't feel guilty about [it]. For me, I just can't do that. I have to make it all work. Even if that means I'm... up until 2 AM.... It's easier for men to compartmentalize.”

In addition, some women seemed reluctant to take risks when their children were younger; it was not uncommon for women to wait until their children were in high school or beyond to start their business or begin thinking more seriously about growth. These decisions were driven in a large part by concerns about maintaining financial stability for the sake of the family.

The women were very highly motivated to achieve personal and professional success; this was evident not only in how the women described their goals, but also in the high levels of education that they had achieved.

The participants seemed willing to put in the time and effort to meet the high standards that they had set, all while acknowledging that it was often difficult to juggle their family and work responsibilities. Overall, the work that they needed to put in was not a deterrent to business ownership or growth, but was certainly a factor in determining how and when to start and grow their businesses.

“Before I started my business, I worked in [another] firm; it was very demanding time-wise and also [I was] taking care of two kids. I felt guilty on both sides. I couldn't balance [both] very well.”

Within all of the segments, the topic of providing good customer service and doing a good job for clients was emphasized as a means of achieving success. Customer service was said to be a reflection of not only their

company, but themselves as individuals. Given that women-owned businesses are largely concentrated in the services sector—which in itself is likely a reflection of cultural influence—this customer service orientation makes sense.

Culture also was visible in some of the barriers women reported encountering. Some owners mentioned discrimination by male vendors or clients, who did not recognize them as the company leader. Putting on a more assertive demeanor at work was also mentioned, particularly by the owners of businesses in industries with lower concentrations of female workers.

“It’s hard to get them [clients] to believe that I have a brain and [I] have been the brain [behind the business]. I don’t want to be a whiner, but I’m looking at all the years I’ve been in business. Guys just want to talk to my husband, not me.”

Significance for the NWBC

Any messaging to women business owners should acknowledge that they identify as both business owners and women, and that they are attempting a delicate balance between what society expects of them and what they want for themselves. For some, perhaps many, the emphasis on obtaining independence in their work life is a necessary part of seeking to meet multiple demands and desires. At the same time, it would be important not to treat all women business owners as having the same motivations or struggles, as that is clearly not the case. Acknowledging broadly the importance of family would be one means of recognizing the values held by many women business owners without focusing on parenting responsibilities per se.

CONCLUSIONS AND RECOMMENDATIONS

The tolerance for risk, motivations, and expectations associated with business growth intertwine. These are then mixed in with culture and population heterogeneity, producing a complex, intriguing puzzle for those seeking to assist women-owned businesses to grow and prosper. Through the review of secondary research and the collection and analysis of primary data, some progress has been made in understanding the potential messaging that may help.

Key Insights

- The segmentation of women business owners, to the extent tested here, did not result in many distinctions among the owners, except that:
 - There was an association between those with higher expectations for growth and comfort with risk-taking. Those in the higher-growth segment also mentioned marketing efforts as a growth strategy more often.
 - Women in the children-at-home segment mentioned more personal risks like available time and family finances.
- What defines “success” for business owners may well be impacted by life circumstances and cultural expectations. Women business owners may be setting success markers from the outset of business ownership differently than their male counterparts, with different results. If women are reaching what they feel are achievable successes, given other responsibilities and roles, then they may not push beyond that point given the trade-offs they feel they would need to make.
- Women business owners are taking a holistic view of work and personal life. Women business owners tend to be risk averse, and this is likely a result of cultural expectations that force women to balance social roles with business roles. In general, women are still expected to manage many of the household needs, including child care, which seems to result in less energy and time for business development. Women may also be bringing this perception to the workplace, where they attempt to manage the business as they would their private lives—balancing competing demands rather than expecting to find assistance from others. Characterizing a lack of business performance by women business owners as “selflimiting” does not capture the depth and extent of forces involved in the women business owner thought process.
- The financial literacy of an owner does not seem to be a prerequisite for business growth, associated with risk tolerance, or a factor in setting expectations. What matters more is the owner’s knowledge that proper attention to finances are an important component of the business model, and that someone needs to fulfill that role in managing the company and its expansion. Similarly, encouraging women to recognize the need for outside advisors and trusted staff in

meeting business development goals is a critical step in helping them to achieve greater economic influence.

Implications for Messaging

- Highlight the benefits to women of business growth, but do not focus on wealth creation for the owner.
- Help women to see how to remain true to their motivations for business ownership while accomplishing business expansion.
- Acknowledge the multiple roles that women business owners play (work, home, community) and their desire to perform well in their roles. However, women may react negatively to intimation that they are failing to excel in any area.
- Speak about growth in terms that business owners use most: revenue, number of employees, number of locations, etc.
- Focus on risk management and positioning for opportunity as a part of business-growth planning and implementation.
- Emphasize problem solving to achieve goals and encourage the use of resources and tools. Common concerns were hiring quality staff, sharing management responsibilities and affording resources to support growth without debt.

Suggestions for Future Research

- Further exploration about the times when women business owners are most open to risk would be valuable to understanding if there exist certain life stages or other defining points when resources and counsel for women business owners would be most effective in generating business growth activity.
- It may also be helpful to the NWBC to explore how women who have achieved business growth while raising children describe the steps they took, the supports they had, and any sacrifices they made.
- Determining what supports for business growth, cost levels, and messages appeal to women business owners would further assist in understanding how to encourage growth by these businesses.
- For those women who are most comfortable with risk taking, and, thus, tend to have higher expectations, it would be worthwhile to

study further what means may exist to successfully move these businesses to growth more rapidly. And, perhaps, expand them even further than the owners originally planned.

APPENDIX A: METHODOLOGY

This section of the final report for SBAHQ-12-M-0206 summarizes the methodology employed to conduct the research and is intended to be reviewed with the full report.

Research Objective

The objective of this project was to identify the preliminary criteria for the segmentation of the market of women entrepreneurs. These criteria were used to define the groups of entrepreneurs, probe the issues of entrepreneurship risk, motivations, and expectations to inform the messaging about entrepreneurship to the different segments.

The NWBC intends to use data resulting from this exploratory research to augment existing knowledge in order to inform policy and program recommendations about messaging to women business owners about growth of their businesses, as well as to identify potential directions for additional, more targeted, and statistically-valid future research in pursuit of NWBC's statutory charge.

Research Questions

Risk

1. How do women entrepreneurs perceive risk, and do different groups of women entrepreneurs have different orientations to risk? Are there differences in how different groups of entrepreneurs handle risk?
2. If women business owners are more risk-averse than men business owners, why do women-owned businesses have a lower survival rate than men-owned businesses?
3. What role do financial literacy and use of external resources like training and market research play, and are there relationships between access to and utilization of resources and a higher tolerance for risk and greater expectations for business performance?

Motivations

4. What motivates women entrepreneurs, and are different groups of entrepreneurs motivated by the same or different things? What accounts for the similarities or differences, and are there patterns or relationships?

Expectations

5. Do different groups of women entrepreneurs have similar or different expectations for their business performance and potential? What accounts for any similarities or differences, and are there patterns or relationships?
6. How do women business owners characterize their growth aspirations? How do growth aspirations vary among women business owners?
7. To what degree do the women business owners undertake activities aligned with their intent to grow?
8. To what extent do the self-perceptions and business ownership results of women appear related to differences in U.S. cultural norms by gender?

The table below presents a summary of the research questions and hypotheses contained in this report. As shown, some research questions are aligned with multiple hypotheses.

Data Collection***Secondary Research***

The secondary research included a review of data from the U.S. Census Bureau's 2007 Survey of Business Owners, Bureau of Labor Statistics data reports, reports to SBA and the NWBC, and other material publicly available online. These sources aided in framing the selection of the market segments by identifying differences between men and women business owners' performance; characteristics of business owners with low, moderate, and high-growth ambitions; risk preferences, motivations, and expectations; effects of gender role norms on women's career choices; and other similar lines of research.

Table A-1. Research Question and Hypothesis Summary

Category	Research Questions	Hypotheses
Risks	<p>RQ1: How do women entrepreneurs perceive risk, and do different groups of women entrepreneurs have different orientations to risk? Are there differences in how different groups of entrepreneurs handle risk?</p>	<p>H1: Higher tolerance for risk will be correlated with motivations for wealth creation. H2: Women entrepreneurs who are more comfortable with taking risk have higher expectations for business performance. H3: Women who own high-growth firms are more likely to have higher expectations for business performance.</p>
	<p>RQ2: If women business owners are more risk-averse than men business owners, why do women owned business have a lower survival rate than men-owned businesses?</p>	<p>H4: Firms that have owners who are averse to risk are likely to have lower growth or to be more stable.</p>
	<p>RQ3: What role do financial literacy and use of external resources like training and market research play, and are there relationships between access to and utilization of resources and a higher tolerance for risk and greater expectations for business performance?</p>	<p>H5: Women business owners with strong financial literacy will be able to employ more resources to minimize or manage risk to strengthen their business. Similarly, women that employ more outside business development resources will be less risk averse than those who do not.</p>
Motivation	<p>RQ4: What motivates women entrepreneurs, and are different groups of entrepreneurs motivated by the same or different things? What accounts for the similarities or differences, and are there patterns or relationships?</p>	<p>H6: Women are often motivated for starting a business in order to have more flexibility, work-family balance, and financial stability. H7: Women entrepreneurs who enter high-growth industries or who have high-growth expectations are motivated by wealth creation.</p>

Table A-1. (Continued)

Category	Research Questions	Hypotheses
Expectations	RQ5: Do different groups of women entrepreneurs have similar or different expectations for their business performance and potential? What accounts for any similarities or differences, and are there patterns or relationships?	H8: Women entrepreneurs who access and utilize resources have higher expectations for business performance.
	RQ6: How do women business owners characterize their growth aspirations? How do growth aspirations vary among women business owners?	H9: Women business owners characterize growth aspirations in a number of ways.
	RQ7: To what degree do the women business owners undertake activities aligned with their intent to grow?	H10: Women entrepreneurs who are highly motivated to grow their firms take tangible, consistent steps toward that end.
	RQ8: To what extent do the self-perceptions and business ownership results of women appear related to differences in U.S. cultural norms by gender?	H11: The risk tolerance, expectations, and motivations of women business owners are affected by cultural norms and expectations.

Segmentation

The NWBC's interest in targeting messaging to women business owners parallels a business's interest in identifying and best reaching a consumer market. What differs is that the "product" to be marketed by the NWBC is information. In both cases, the market must be segmented in such a fashion that messaging can be adjusted to resonate effectively with customers in each group. Four standard segmentation categories are commonly used for understanding customer markets:

- Geographic (climate type, metropolitan statistical area, etc.)
- Demographic (age, gender, race, etc.)
- Psychographic (interests, opinions, etc.)
- Behavioralistic (brand loyalty, usage rate, etc.)³⁷

These categories are applied in both consumer and business-to-business marketing. The segmentation of women business owners, then, could fall into any or all of the above categories. Any of a large number of discrete factors could have been used to segment women business owners, but not all of these factors were well-suited to accomplishing the objective of the study. The segmentation utilized placed an emphasis on those segments from which NWBC is most likely to gain insight about messaging to women business owners. To set the parameters of the research, PPA began by selecting criteria for participation in the study:

- *Women business owners who are interested in growing their businesses (psychographic category).* The NWBC is interested in messaging to those women business owners who want to expand their businesses, and so it is necessary that all participants have this basic characteristic. Growth could be defined as increasing revenue, adding employees, or expanding market share.
- *Those with at least one employee (demographic category).* Three-quarters of firms are nonemployer firms; however, the economic contribution of the employer firms is greater in terms of both sales and jobs.³⁸ For example of the economic value, in the Houston metropolitan statistical area, the gross receipts per owner of nonemployer firms was \$28,000 in 2007; among the employer firms, the receipts averaged \$170,000 per employee.³⁹ In addition, more self-employed women (about half) than men are working only part-time.⁴⁰ These data suggested that it was more likely that economic value would be best realized by attending to those firms who have at least

one employee, (that is, those that have already shown some proclivity for growth).

- Those who operate in a high growth industry (demographic category). These businesses, broadly speaking, are part of a more robust industry economically and could be contributors to that economic progress/gain. By targeting such businesses, the study sought to position NWBC to understand how or whether the performance of their industry shapes women business owners' motivations and expectations for the growth of their own businesses. For purposes of this study, PPA used the top high-growth industries nationally, identified by the Bureau of Labor Statistics, shown below.

<p>Health Care and Social Assistance</p> <ul style="list-style-type: none"> • Home health care (NAICS 6216) • Individual and family services (NAICS 6241) • Outpatient, laboratory, and other ambulatory care services (NAICS 6214, 6215, 6219) • Offices of health practitioners (NAICS 6211, 6212, 6213) • Community and vocational rehabilitation services (NAICS 6242, 6243) 	<p>Manufacturing</p> <ul style="list-style-type: none"> • Veneer, plywood, and engineered wood product manufacturing (NAICS 3212) • Cement and concrete product manufacturing (NAICS 3273) • Sawmills and wood preservation (NAICS 3211) <p>Financial Activities</p> <ul style="list-style-type: none"> • Commercial and industrial machinery and equipment rental and leasing (NAICS 5324)
<p>Professional, Scientific, and Technical Services</p> <ul style="list-style-type: none"> • Management, scientific, and technical consulting services (NAICS 5416) • Computer systems design and related services (NAICS 5415) • Facilities support services (NAICS 5612) • Other professional, scientific and technical services (NAICS 5419) <p>Construction</p> <ul style="list-style-type: none"> • Construction (NAICS 23) <p>Information</p> <p>Software publishers (NAICS 5112)</p>	<ul style="list-style-type: none"> • Lessors of nonfinancial intangible assets (except copyrighted works) (NAICS 533) <p>Leisure and Hospitality</p> <ul style="list-style-type: none"> • Automotive repair and maintenance (NAICS 8111) <p>Educational Services</p> <ul style="list-style-type: none"> • Other educational services (NAICS 6114, 6115, 6116, 6117) <p>Other Services</p> <ul style="list-style-type: none"> • Grantmaking and giving services and social advocacy organizations (NAICS 8132, 8133)

In addition to identifying basic criteria for the scope of the study, the PPA team used the literature review to determine segments of women business owners that would be most relevant to the needs of the NWBC. The segments identified were:⁴¹

High-Growth Strategy/Expectations

Psychographic Category

In order to better understand what is driving a high-growth strategy among some women business owners, it was valuable to explore how the owners in this group perceived barriers, resources, and potential gains and risks differently than those who fell into the moderate-growth segment.

Moderate-Growth Strategy/Expectations

Psychographic Category

In order to increase business growth and the impact of women-owned businesses on the economy, it would be beneficial to shift more business owners into a high-growth strategy. In order to do this, a greater understanding of the thinking behind a moderate set of growth expectations is needed. For instance, the research explored the linkage between expectations and concerns and an interest in the potential gains of higher growth.

Frequent Users of Outside Advisors

Behavioralistic Category

This segment was defined to determine how those women business owners who have used advisors extensively might offer insights about messaging to those who do not. For example, it was useful to understand what spurred them to seek outside advisors and whether outside help was used to manage risk, as well as how these resources affected the owners' motivations and expectations for growth.

Owners with Children at Home

Demographic Category

There is evidence that work-life balance considerations for women affect their choices in the workplace. The presence of children in the home is relevant for women business owners who are married or not, since it is the responsibility for children (motherhood) that appears to heighten the effect. This factor also is a reflection of differing cultural expectations for men and women. By looking at this segment of women business owners, the research could explore how such family considerations were influencing business

decisions and connecting to risk tolerance, motivations, and growth expectations.

Region Selection

The locations for the research were selected to include representation from the western, southern, and eastern regions of the country. They were not intended to be representative of the population of women business owners. Although these regions are not how the NWBC would target messaging, the diversity allowed the study to account for variation across women business owners by region (geographic factor). As noted above, PPA selected three locations—Houston, Texas; Los Angeles, California; and Washington, D.C.—based on the research of the American Express OPEN, a report on women-owned business trends from 1997 to 2012. The selected cities were highly ranked in the report in terms of economic clout, defined by averaging “the number, revenue, and employment growth of women-owned firms.”⁴² While some other cities were ranked higher in certain categories by American Express OPEN, these areas of the country presented the best overall opportunity for sufficient population, business growth potential, and representativeness.

Primary Research

Group Formation

For each region, women business owners were recruited from lists of companies with at least one employee and were operating in high-growth industries using a vendor. The focus group recruiter targeted specific North American Industry Classification System codes and Metropolitan Statistical Areas in order to narrow in on the desired women-owned businesses. Telephone lists were compiled through a combination of Dun & Bradstreet business data and other proprietary business-to-business sources available to the recruitment vendor.

The calls included screening the recruits for basic criteria, which were also based on the secondary research: (1) interest in growing their companies and (2) the current number of employees in their firms. From among those who intended to grow and had more than one employee, the groups were formed. Recruits were placed into a segment based on their answers to a short series of questions about their growth strategy and expectations, their use of outside advisors, and whether they have children at home. Groups were filled based on PPA’s assumptions about how difficult it would be to find qualifying women

for each; the groups were filled, by location, in this order: high growth, moderate growth, use of advisors, and children at home. Recruits could qualify for more than one segment, but were assigned based on slot availability; for example, an owner who qualified as moderate growth but also had children at home went into the moderate growth segment if there were slots available there.

Overall, there was difficulty recruiting for the study. The incident rate (6 to 10 percent) and the cooperation rate (7 to 26 percent) varied by location (7 to 26 percent), with Los Angeles proving the most difficult. This is likely due to a combination of factors that contributed to potential recruits declining to participate, including a low incentive and their limited availability during the study period. It was also difficult to reach business owners for screening, despite multiple calls. Potential recruits were told the research sponsor (NWBC) as one means of encouraging participation; it was anticipated that women business owners would be responsive to aiding in research that would potentially benefit themselves and other women business owners. For Los Angeles, the scope of recruitment was increased to a wider geographic area around the city core and the recruitment period lengthened by several weeks. Due to budget constraints, incentives (\$50 per person) could not be increased. As a result of recruitment difficulties overall, numbers were lower than anticipated entering the data collection; in total, 135 women were recruited to participate in the study.

Study Participation

A total of eight focus groups were held, one for each segment in Houston and Washington, DC during August 2013. Although each recruit received multiple reminders before the groups were held, the turnout rate for these groups was low (about 50 percent), and so the focus groups did not prove to be effective in gathering sufficient data. As a result, independent telephone interviews were scheduled with recruits in September who did not attend the assigned focus group, or in the case of Los Angeles, with women recruited specifically for interviews. The incentive was the same, but the time burden on the participants was less (by about 1-2 hours), and interviews were conducted at times that best fit individual schedules, easing the ability of an owner to participate.

In total, PPA spoke with 81 women business owners during August and September.

While the total numbers were fewer than desired at the outset of the study, they were sufficient for gaining insights into perceptions and behaviors of

women business owners given the qualitative nature of the study and its intentions.

Instruments

All participants were asked to complete a profile during the focus groups or respond to the same questions verbally during the opening and closing of the interviews. The profile asked for the participants' age, race, highest level of education, and business history and growth pattern. For the focus group discussions, the moderator used a discussion guide containing questions about participants' expectations for growth, motivations and factors influencing those expectations, barriers experienced or perceived, and resources known and used to support business growth. The tolerance of risk in connection with business growth and its connections to behaviors and opinions of individual business owners were also explored. The interviewers used an online version of the focus group moderator guide as the interview instrument, directly entering answers as given. The result was a data set that held the same data fields for both methods of collection.

Table A-2. Women Business Owner Participation

	Houston	Los Angeles	Washington, DC	Total
Focus Groups	15	0	17	32
Interviews	15	27	7	49
Total	30	27	24	81

Analysis

For data from the profile questions, hard copy forms and electronic data were merged and analyzed using SPSS and Excel. Data was cleaned and missing cases and bad data were removed. PPA then coded and categorized data as needed and ran frequencies and descriptive statistics. Where appropriate, segments and other variables were cross-tabulated with coded responses.

To analyze the qualitative data, the focus group and interview responses were combined into a single file, with the individual serving as the unit of analysis. Coding was performed to identify themes and patterns. Secondary research was used to inform coding as available; in other instances, PPA created categories. As needed, data were examined by segment or other variables to further understand patterns and address hypotheses.

Data Limitations

Being a largely qualitative study involving a relatively small sample, the findings should not be assumed to be representative of all women business owners' perspectives and experiences. Also, the findings should be considered within the context of the study design (in other words, within the criteria and segmentation used).

Research Lessons

Given the difficulties in recruiting and getting the business owners to complete their participation in the study, focus groups of entrepreneurs, at least with a similar level of criteria required here, is not tenable. Telephone interviews were more productive, although allowing for data collection over several months may be necessary. Offering a much more generous incentive would likely also help to increase responsiveness.

That being said, the qualitative data generated by the study was highly valuable in understanding what is driving women business owners' business growth behaviors. Certainly, this work could be complemented nicely by further research, including survey research and market studies.

SCRIPT FOR OUTGOING CALLS WOMEN ENTREPRENEURS, SELF-LIMITING PERCEPTIONS, AND SEGMENTATION FOCUS GROUPS

ANSWERED PHONE: Hello, may I please speak to _____?

IF NO: I'm calling from SSI to ask her about participating in a focus group for the National Women's Business Council. She can reach me at [phone number]. REPEAT CALL LATER.

IF YES: Hello, this is _____ from SSI. The National Women's Business Council, an advisory group to the president, Congress, and U.S. Small Business Administration, is conducting research concerning women business owners and their business growth. I'm calling to see if you would be interested in sharing your perspectives in a focus group about issues that affect women business owners like yourself. This call will take at most five minutes, and your participation is entirely voluntary. If you're eligible and participate, you

will receive \$50. [IF AGREES TO CONTINUE] Let me ask you a few questions to see if you qualify. You do not have to respond to these questions unless they were approved by the federal Office of Management and Budget. The approval was received, and the control number is [OMB CONTROL NUMBER].

Screeners Survey

1. Do you currently employ anybody other than yourself through your business, not including contractors?

IF ONE OR MORE: How many employees do you have? RECORD NUMBER. CONTINUE TO Q2.

IF MORE THAN 99: I'm sorry, but you are not eligible to participate in the focus group because your business is larger than what we are looking for. Thank you for your interest.

IF NONE: I'm sorry, but you are not eligible to participate in the focus group because you do not employ staff. Thank you for your interest.

2. Which sector do you work in?
 - a. Health care and social assistance
 - b. Professional and business services
 - c. Manufacturing
 - d. Information
 - e. Financial activities
 - f. Construction
 - g. Leisure and hospitality
 - h. Educational services
 - i. Other services

RECORD AND CONTINUE TO Q3.

IF NONE OF ABOVE: I'm sorry, but you are not eligible to participate in the focus group because you are not in one of the targeted sectors. Thank you for your interest.

3. And within that group, what is your industry? IF NOT CLEAR MATCH BETWEEN LISTED INDUSTRY AND RESPONSE, READ OPTIONS: Does your business fall into one of the following industries/the following industry?
IF ANSWERED A TO Q2:

- a. Home health care (NAICS 6216) [INCLUDES NURSING SERVICES, COUNSELING, COMPANION, PERSONAL CARE, SPEECH THERAPY, DIETARY, AND SIMILAR SERVICES PROVIDED IN THE HOME.]
- b. Individual and family services (NAICS 6241) [INCLUDES SERVICES TO YOUTH AND FAMILIES, ELDERLY, OR PERSONS WITH DISABILITIES.]
- c. Outpatient, laboratory, and other ambulatory care services (NAICS 6214, 6215, 6219) [INCLUDES FAMILY PLANNING CENTERS, OUTPATIENT MENTAL HEALTH AND SUBSTANCE ABUSE CENTERS, OTHER OUTPATIENT CARE CENTERS, ANY HEALTH-RELATED LABORATORY (ANALYTIC OR DIAGNOSTIC).]
- d. Offices of health practitioners (NAICS 6211, 6212, 6213)
- e. Community and vocational rehabilitation services (NAICS 6242, 6243) [INCLUDES COMMUNITY EMERGENCY RELIEF SERVICES, HOUSING SERVICES, AND FOOD SERVICES; PROVIDERS OF JOB TRAINING, JOB COUNSELING, WORK EXPERIENCE TO PERSONS WITH DISABILITIES OR WHO ARE UNEMPLOYED OR UNDEREMPLOYED.]
- f. Child day care services (NAICS 6244)

IF NONE OF ABOVE -I'm sorry, but you are not eligible to participate in the focus group because you are not in one of the targeted industries. Thank you for your interest.

ALL OTHERS, RECORD AND CONTINUE TO Q4.

IF ANSWERED B TO Q2:

- a. Management, scientific, and technical consulting services (NAICS 5416) [INCLUDES MANAGEMENT CONSULTING, ENVIRONMENTAL CONSULTING, AND OTHER SCIENTIFIC/TECHNICAL CONSULTING SERVICES.]
- b. Computer systems design and related services (NAICS 5415) [INCLUDES THOSE PROVIDING SOFTWARE WRITING, MODIFICATION, TESTING; DESIGNING COMPUTER SYSTEMS; ON-SITE COMPUTER SYSTEM OR DATA-PROCESSING FACILITIES MANAGEMENT; AND OTHER PROFESSIONAL/TECHNICAL COMPUTER CONSULTING.]

- c. Facilities support services (NAICS 5612) [INCLUDES PROVIDING STAFF TO PERFORM SUPPORT SERVICES WITHIN FACILITIES (LAUNDRY, SECURITY, RECEPTION, JANITORIAL, ETC.) AND PRIVATE JAIL SERVICES OR OPERATORS OF CORRECTIONAL FACILITIES.]
- d. Other professional, scientific and technical services (NAICS 5419) [INCLUDES PROFESSIONAL, SCIENTIFIC, TECHNICAL CONSULTING OTHER THAN ARCHITECTURE OR ENGINEERING, LEGAL, ACCOUNTING, SCIENTIFIC RESEARCH AND DEVELOPMENT OR CONSULTING, COMPUTER DESIGN, SPECIALIZED DESIGN SERVICES, ADVERTISING, OR PUBLIC RELATIONS.]

IF NONE OF ABOVE -I'm sorry, but you are not eligible to participate in the focus group because you are not in one of the targeted industries. Thank you for your interest.

ALL OTHERS, RECORD AND CONTINUE TO Q4.

IF ANSWERED C TO Q2:

- a. Veneer, plywood, and engineered wood product manufacturing (NAICS 3212)
- b. Cement and concrete product manufacturing (NAICS 3273)
- c. Sawmills and wood preservation (NAICS 3211) [INCLUDES PRODUCING BOARDS, BEAMS, WOOD CHIPS, ETC. AND TREATING WOOD WITH CREOSOTE OR OTHER CHEMICAL COMPOUNDS.]

IF NONE OF ABOVE -I'm sorry, but you are not eligible to participate in the focus group because you are not in one of the targeted industries. Thank you for your interest.

ALL OTHERS, RECORD AND CONTINUE TO Q4.

IF ANSWERED D TO Q2:

- a. Software publishers (NAICS 5112) [INCLUDES SOFTWARE DESIGN, REPRODUCTION, PUBLISHING, AND DISTRIBUTION.]

IF NONE OF ABOVE -I'm sorry, but you are not eligible to participate in the focus group because you are not in one of the targeted industries. Thank you for your interest.

ALL OTHERS, RECORD AND CONTINUE TO Q4.

IF ANSWERED E TO Q2:

- a. Commercial and industrial machinery and equipment rental and leasing (NAICS 5324)
- b. Lessors of nonfinancial intangible assets (except copyrighted works) (NAICS 533) [INCLUDES ASSIGNING RIGHTS TO TRADEMARKS, BRAND NAMES, PATENTS, ETC. OR WHO HOLD THESE RIGHTS AND LEASE THEM TO OTHERS.]

IF NONE OF ABOVE -I'm sorry, but you are not eligible to participate in the focus group because you are not in one of the targeted industries. Thank you for your interest.

ALL OTHERS, RECORD AND CONTINUE TO Q4.

IF ANSWERED F TO Q2:

- a. Construction (NAICS 23) [INCLUDES ANY TYPE OF BUILDING, ROAD, ETC. CONSTRUCTION, SITE PREPARATION, AND BUILDING REPAIR OR ALTERATION.]

IF NONE OF ABOVE: I'm sorry, but you are not eligible to participate in the focus group because you are not in one of the targeted industries. Thank you for your interest.

ALL OTHERS, RECORD AND CONTINUE TO Q4.

IF ANSWERED G TO Q2:

- a. Automotive repair and maintenance (NAICS 8111)

IF NONE OF ABOVE: I'm sorry, but you are not eligible to participate in the focus group because you are not in one of the targeted industries. Thank you for your interest.

ALL OTHERS, RECORD AND CONTINUE TO Q4.

IF ANSWERED H TO Q2:

- a. Other educational services (NAICS 6114, 6115, 6116, 6117) [INCLUDES BUSINESS, COMPUTER, AND MANAGEMENT TRAINING; TECHNICAL AND VOCATIONAL TRAINING; AND THOSE SUPPORTING EDUCATION VIA SERVICES (E.G., TESTING, TUTORING, COLLEGE SELECTION, STUDENT EXCHANGE PROGRAMS, ETC.).]

IF NONE OF ABOVE: I'm sorry, but you are not eligible to participate in the focus group because you are not in one of the targeted industries. Thank you for your interest.

ALL OTHERS, RECORD AND CONTINUE TO Q4.

IF ANSWERED I TO Q2:

- a. Grantmaking and giving services and social advocacy organizations (NAICS 8132, 8133) [INCLUDES FOUNDATIONS AND CHARITABLE TRUSTS AND THOSE RAISING FUNDS FOR SOCIAL WELFARE ACTIVITIES.]

IF NONE OF ABOVE: I'm sorry, but you are not eligible to participate in the focus group because you are not in one of the targeted industries. Thank you for your interest.

ALL OTHERS, RECORD AND CONTINUE TO Q4.

- 4. Is it a priority for you to expand your business over the next three to five years?

IF YES, CONTINUE TO Q5.

IF NO: I'm sorry, but you are not eligible to participate in the focus group because you do not plan to expand your business in the near future. Thank you for your interest.

- 5. What are your business growth goals?

- a. More than 20% per year
- b. 5-20% per year
- c. Less than 5% per year

IF SELECTS A, ELIGIBLE FOR HIGH-GROWTH STRATEGY/EXPECTATIONS GROUP.

IF SELECTS B, ELIGIBLE FOR MODERATE-GROWTH GROUP.

IF SELECTS C, NOT ELIGIBLE FOR EITHER GROWTH GROUP.

CONTINUE FOR ALL.

- 6. Do you have any children under age 18 at home?

IF YES: How many do you have? RECORD. What ages are they? RECORD AND CONTINUE. ELIGIBLE FOR CHILDREN-AT-HOME GROUP. IF NO, RECORD AND CONTINUE. NOT ELIGIBLE FOR CHILDREN-ATHOME GROUP

- 7. How often do you use the services of outside advisors (financial, legal, human resources, management, etc.) to support your business?

- a. At least once a month
- b. A few times a year
- c. About once a year
- d. Every few years
- e. I have not used outside advisors

IF SELECTS A, ELIGIBLE FOR FREQUENT-USERS-OF-OUTSIDE-ADVISORS GROUP. ALL OTHERS INELIGIBLE FOR THAT GROUP. CONTINUE.

Eligibility Determination

DETERMINE WHICH GROUP ELIGIBLE FOR, AND BASED ON SLOTS AVAILABLE, ASSIGN TO GROUP. IF ELIGIBLE FOR MORE THAN ONE GROUP, GIVE PRIORITY TO HIGH-GROWTH GROUP, THEN MODERATE-GROWTH GROUP, THEN FREQUENT-USERS GROUP, THEN CHILDREN-AT-HOME GROUP.

Focus Group Reservation

IF SLOTS ARE AVAILABLE IN GROUP OF ELIGIBILITY: You are eligible to participate. The focus group will be held on [DATE] at [TIME] in [CITY]. Will you be able to attend at that time?

IF AVAILABLE FOR THAT GROUP: Great! I've signed you up for the focus group on [DATE] at [TIME]. The focus group will take place at [LOCATION]. You will receive a confirmation letter from Public Policy Associates, the group facilitator, with a map and directions to the focus group facility. Can we have your e-mail address for this purpose? It will not be used in any other way.

IF YES, RECORD AND CONFIRM. CONTINUE. IF NO: That's okay. The information can be mailed to you. What is your address? RECORD AND CONFIRM. CONTINUE.

You will also receive a reminder phone call a day or two before the focus group from Public Policy Associates. Should they call you at [READ THE PHONE NUMBER CALLED]? RECORD NEW NUMBER IF APPLICABLE.

Remember that in order to receive your cash incentive, you must arrive on time and stay for the full two hours of the focus group. I'm sorry, but we cannot accommodate children at the focus group facility. If you have any questions or if you need to cancel, please call 1-800-665-8449 and ask for [PPA FOCUS GROUP ASSISTANT NAME].

IF NOT AVAILABLE FOR THAT GROUP AND QUALIFIES FOR ANOTHER GROUP: You are eligible to participate. The focus group will be held on [DATE] at [TIME] in [CITY]. Will you be able to attend at that time?

IF AVAILABLE FOR THAT GROUP: Great! I've signed you up for the focus group on [DATE] at [TIME]. The focus group will take place at [LOCATION]. You will receive a confirmation letter from Public Policy Associates, the group facilitator, with a map and directions to the focus group facility. Can we have your e-mail address for this purpose? It will not be used in any other way.

IF YES, RECORD AND CONFIRM. CONTINUE. IF NO: That's okay. The information can be mailed to you. What is your address? RECORD AND CONFIRM. CONTINUE.

You will also receive a reminder phone call a day or two before the focus group from Public Policy Associates. Should they call you at [READ THE PHONE NUMBER CALLED]? RECORD NEW NUMBER IF APPLICABLE.

Remember that in order to receive your cash incentive, you must arrive on time and stay for the full two hours of the focus group. I'm sorry, but we cannot accommodate children at the focus group facility. If you have any questions or if you need to cancel, please call 1-800-665-8449 and ask for [PPA FOCUS GROUP ASSISTANT NAME].

REPEAT ABOVE SEQUENCE FROM "IF NOT AVAILABLE FOR THAT GROUP AND QUALIFIES FOR ANOTHER GROUP" IF ANOTHER GROUP FOR WHICH PERSON QUALIFIES.

IF AVAILABLE FOR NONE OF GROUPS FOR WHICH PERSON QUALIFIES: Can I put you on our backup list in case there is a change? RECORD. Thank you for your willingness to participate.

IF SLOTS ARE FULL FOR GROUP[S] OF ELIGIBILITY: That focus group is currently full, but can I add your name to our reserve list in case somebody cancels? RECORD.

Pre-Focus Group Participant Profile

This profile is designed to gather some initial information about you and your business and its growth. It will be used to help the focus group moderator get to know the mix of group members.

Your information will be kept private by PPA to the extent permitted by law. Reports will only contain aggregated findings and information you share will not be connected with your name in any way without your expressed permission.

The estimated burden for completing this form is three minutes. You are not required to respond to this request for information unless it displays a currently valid OMB control number. Comments on the burden should be sent to U.S. Small Business Administration, Chief, AIB, 409 3rd St., S.W., Washington,

D.C. 20416 and Desk Officer for the Small Business Administration, Office of Management and Budget, New Executive Office Building, Room 10202, Washington, D.C. 20503.

First Name: _____ First Initial of Last Name: _____

1. Please briefly describe the nature of your business:

2. How did you launch your business? (circle one)

Startup

Acquisition

Other: _____

3. What year was your business started?

4. For how many years have you owned your business?

5. How much capital did you need to start your business?

\$ _____

6. What were your sources of capital?

7. Including this one, how many businesses have you owned?

8. How many individuals does your business employ?

Full time: _____ Part time: _____

9. In the past five years, how many full-timeequivalent employees has your business added?

10. Roughly, what were the gross receipts of your business last year (2012)?

11. How long after launch did your business become profitable? (circle one)

- One year or less
 2-3 years
 More than 3 years
 Not profitable
12. Do you have a business co-owner/ partner?
 Yes No
13. In what year were you born?

14. What is your highest level of education? (circle one)
 Less than high school
 High school/GED
 Some college
 2-year college degree
 4-year college degree
 Master's degree
 Doctoral degree
 Professional degree (e.g., JD, etc.)
15. Are you of Hispanic or Latino, ethnicity?
 Yes No
16. What is your race? (Select one or more)
 American Indian or Alaska Native
 Asian
 Black or African-American
 Native Hawaiian or Other Pacific Islander
 White

Please hand your completed form to the focus group assistant. Thank you!

**FOCUS GROUP MODERATOR GUIDE WOMEN
 ENTREPRENEURS, SELF-LIMITING PERCEPTIONS, AND
 SEGMENTATION FOCUS GROUPS**

Focus Group Date and Time: _____

Focus Group Location: _____

Number of Focus Group Attendees: _____

0:00 Opening

[Introduce the moderator and the recorder]

Public Policy Associates is working with the National Women's Business Council to understand how women business owners plan for business growth and what resources women need to grow their businesses. The focus group today, along with others we are conducting in [location 1] and [location 2], will focus on your experiences and strategies for starting, owning, and growing your businesses.

A focus group, in case you have not participated in one before, is a conversation among us on set topics. Here, we'll focus on business ownership and growth. I will ask the group a series of questions to get the conversation going. Your job is to be as candid as possible in discussing your ideas, questions, and concerns as a group. My job is to keep us moving from topic to topic so we cover everything in the allotted time. I will also make sure we hear from everyone; each of you is present because you have important perspectives that we need to hear. None of you are here to be an observer. We will be meeting for a total of two hours. Your participation is voluntary; if you have changed your mind about participating today, you are free to leave now.

The information you share in this group will not be attached to your names; all reports will use aggregated data. We will only use first names here. We are audio recording the conversation so we have another record of what was said for our analysis.

Before we get started, please mute your cell phones so we don't get interrupted.

Are there any questions?

0:05 Warm-Up

1. Let's get started by introducing ourselves. Please share your first name, how many people you employ, and, very briefly, the nature of the business that you own and your primary reason for becoming a business owner.

[MODERATOR: *Make observations based on commonalities and differences from the pre-group participant profiles. Highlight: startup v. purchase, length of ownership range, range of revenue.*]

[RECORDER: *Complete seating chart with first names and last initial.*]

Starting Your Business

0:20 Expectations

2. When you made the decision to become a business owner, what were your expectations and goals *at that time* for your business?

PROBE:

- *What kinds of growth expectations did they have regarding revenue, number of employees, number of locations, product/service offerings, etc.?*
3. How were these expectations influenced by your life situation *at that time*?

PROBE:

- *What specifically were the influences? Family situation, financial needs, employment status, range of opportunities in old job, other?*

0:30 Concerns

4. What were your concerns at the time you became a business owner? Was becoming a business owner more challenging than you expected it to be?

PROBES:

- *What challenges were experienced and how were hurdles overcome?*
- *Were the concerns and difficulties focused on industry, management, financing, production, employees, other?*
- *Did they use outside advisors to address these—financial in particular?*

0:40 Industry Experience

5. How much experience did you have in your present industry before starting your business?

PROBES:

- *Was experience through work experience in industry, supervisory/management experience, business partner's (if have) experience/knowledge, other?*
- *What was gained from experience, and what was missed from inexperience?*

Growth of Your Business

0:50 Expectations

6. What would be the ideal size of your business in five years? How do you decide whether (or when) to draw the line on your business's growth?

PROBES:

- *What was considered when deciding growth plan: market, management, financial, personal, other?*
 - *How far ahead are they planning for growth?*
7. What steps have you already taken to prepare for growth?

PROBE:

- *Which steps have they taken: used outside advisors, undertaken studies, made technology upgrades, made financial requests, conducted organizational development, other?*

1:00 Motivations

8. You all have said business growth is a priority for you over the next three to five years. Why would you like to grow your business?

PROBES:

- *What are the financial motivations: replace lost income, stability for family, gain wealth, other?*
- *What are the personal motivations: challenge self, earn respect, have time flexibility, leave legacy, other?*

1:10 Risks

9. What risks will you be taking to make your growth goals happen? Why are these risks worth taking for you? What risks are not worth taking?

PROBES:

- *What risks specifically: time sacrifice, financial investment, possibility of failure, other?*
- *What approach was used to determine risk/return?*

1:20 Barriers and Resources

10. What do you see as barriers to expanding your business?

PROBES:

- *What were external barriers: business opportunities, market, financial situation, needing partners or mentors, other?*
- *What were internal barriers: support from family, time investment, not sure about managing a larger staff, other?*

11. What resources have you used or do you intend to seek in order to grow your business? Where do you find these resources? Have they met your needs?

PROBES:

- *What resources were sought: capital sources, training needs, market research, other?*
- *Have they used small business services like Small Business Development Centers, Women's Business Centers, SBTDC, a small business association, other?*
- *Have they used women's business organizations as a resource?*

1:35 Conclusion

That concludes our set of questions. Are there any other comments?

Thank you very much for taking the time to participate in the discussion. Your input has been very valuable. [RECORDER: *Distribute incentives.*]

APPENDIX B: ADDITIONAL DATA CHARTS

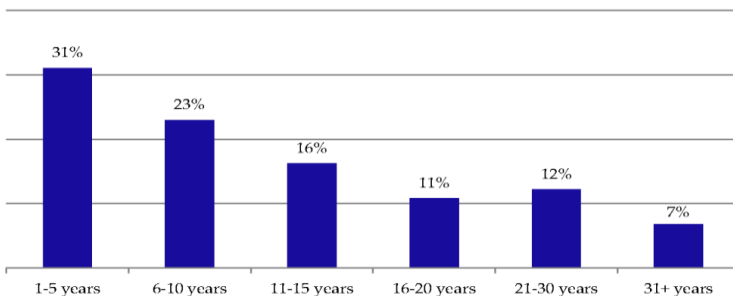


Figure B-1. Length of Business Ownership, n=74.

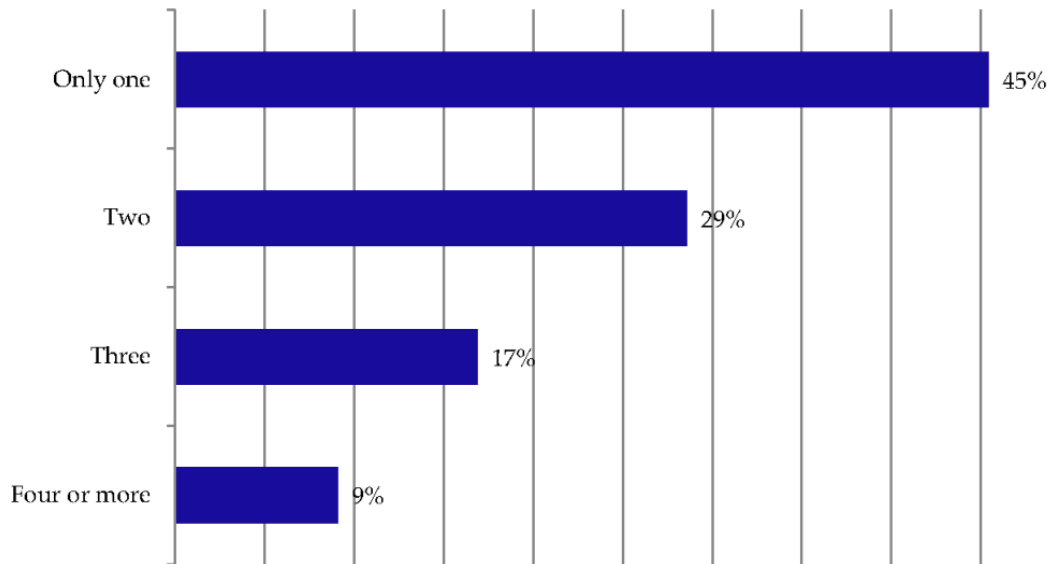


Figure B-2. Number of Businesses Owned (Current or Previous), n=77.

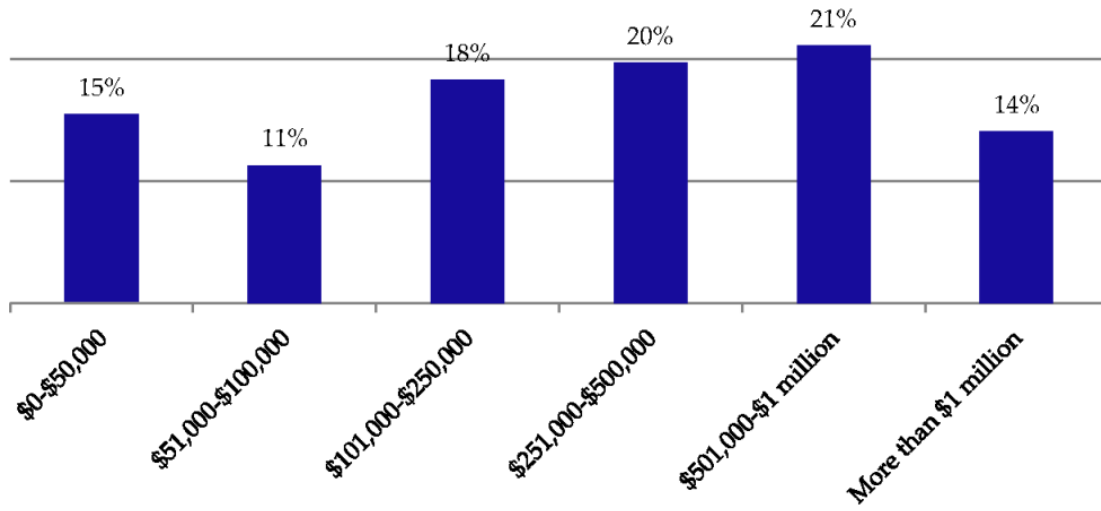


Figure B-3. Gross Receipts of Business in 2012, n=71.

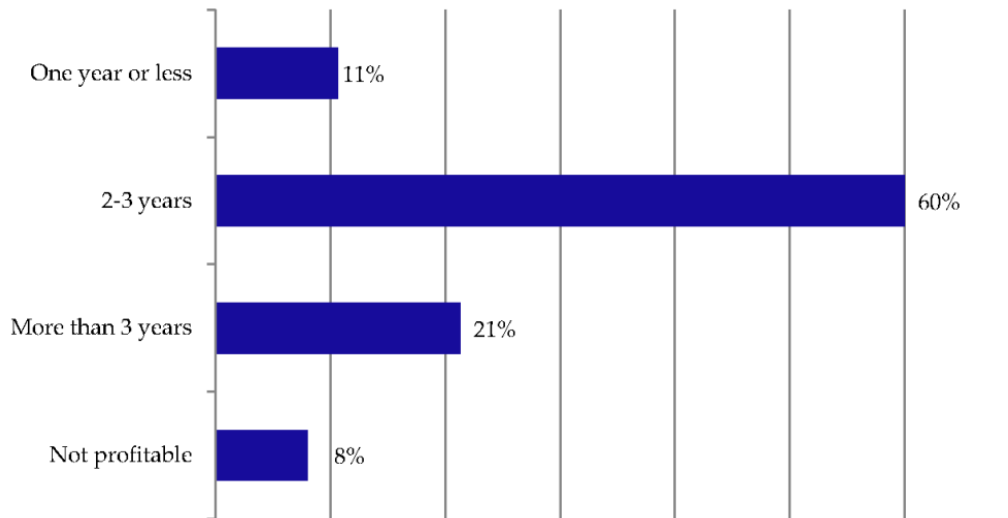


Figure B-4. Length of Time After Ownership Became Profitable, n=75.

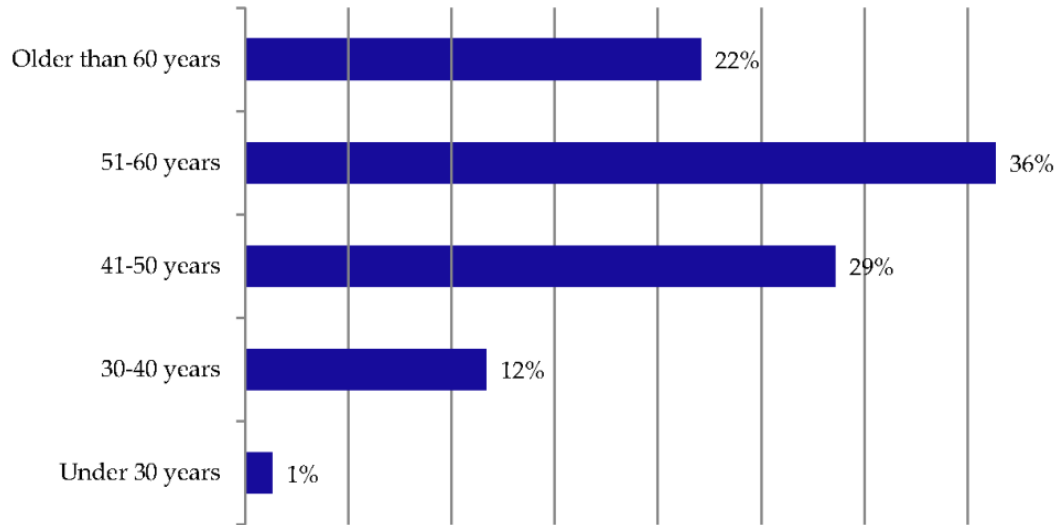


Figure B-5. Age of Owner, n=77.

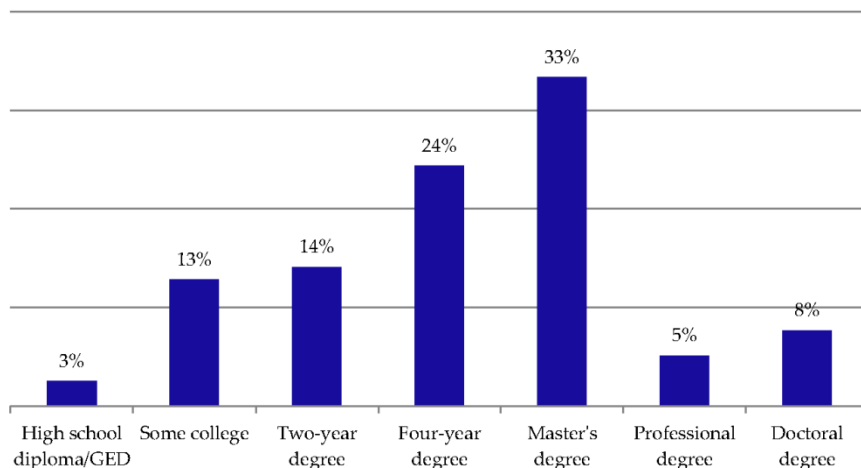


Figure B-6. Highest Level of Education, n=78.

End Notes

- ¹ See Erin Kepler and Scott Shane, “Are Male and Female Entrepreneurs Really that Different?” SBAHQ06-M-0480, September 2007 and Paul D. Reynolds and Richard T. Curtin, “Business Creation in the United States: Panel Study of Entrepreneurial Dynamics II Initial Assessment,” *Foundations and Trends in Entrepreneurship*, Vol. 4, No. 3 (2008), 155-307.
- ² Some participants selected not to respond to certain questions. Thus, the numbers for each profile question vary.
- ³ Please refer to Appendix A of this report for the breakdown of North American Industry Classification System (NAICS) codes included.
- ⁴ U.S. Census Bureau, “Survey of Business Owners,” 2007.
- ⁵ The other services industry includes firms engaged in grant making services, advocacy, dry cleaning/laundry services, personal care services, and photofinishing services. Professional, scientific, and technical services includes accounting, legal, architectural, and computer services firms.
- ⁶ U.S. Census Bureau, “Survey of Business Owners,” 2007
- ⁷ *Ibid.*
- ⁸ *Ibid.*
- ⁹ Survey of Business Owners, 2007.
- ¹⁰ Survey of Business Owners, 2007.
- ¹¹ U.S. Census Bureau, “Census Bureau Reports Women-Owned Firms Numbered 7.8 Million in 2007, Generated Receipts of \$1.2 Trillion,” December 7, 2010. Accessed July 30, 2012. http://www.census.gov/newsroom/releases/archives/business_ownership
- ¹² *Ibid.*
- ¹³ Erin Kepler and Scott Shane, “Are Male and Female Business Owners Really that Different?” Contract No. SBAHQ-06-M-0480 (Washington, D.C.: U.S. Small Business Administration, Office of Advocacy, September 2007), 6.

- ¹⁴ Ibid, 9.
- ¹⁵ PNC Financial Services Group, Inc., *Women Business Owners Outlook*, August 2011, <http://tinyurl.com/a47v3o4>
- ¹⁶ U.S. Small Business Administration, *Are Male and Female Entrepreneurs Really that Different?*, September 2007.
- ¹⁷ Adapted from the National Center for Women & Information Technology's summary of Morris et al., *The Dilemma of Growth: Understanding Venture Size Choices of Women Entrepreneurs*, 2006.
- ¹⁸ Lisa K. Gundry and Harold P. Welch, "The Ambitious Entrepreneur: High Growth Strategies of Women-owned Enterprises," *The Journal of Business Venturing* (2001): 453-470.
- ¹⁹ U.S. Census Bureau, Survey of Business Owners.
- ²⁰ U.S. Department of Commerce Economic and Statistics Administration, *Women-Owned Businesses in the 21st Century*, (2010). <http://www.esa.doc.gov/sites/default/files/reports/documents/women-owned-businesses.pdf>
- ²¹ U.S. Census, Business Owners Survey, 2007.
- ²² Ibid.
- ²³ Rieva Lesonsky, "Is Risk the Key to Giving Female Business Owners a Competitive Edge?" Accessed January 11, 2013. April 2012. <http://www.openforum.com/articles/is-risk-the-key-to-giving-female-business-owners-a-competitive-edge/>. See also: PNC, "Women Business Owners Outlook," Summer 2011.
- ²⁴ Public Policy Associates, "Michigan Small Business Needs Assessment," second edition, October 1991.
- ²⁵ CIBC World Markets, "Secrets to Small Business Success," 2004, 3.
- ²⁶ U.S. Small Business Administration, *Are Male and Female Entrepreneurs...*, 2007. See also: Richard DeMartino and Robert Barbato. "Research Note: Difference between women and men MBA entrepreneurs: exploring family flexibility and wealth creation as career motivators," *Journal of Business Venturing* 18 (2003): 816, accessed January 11, 2012/
- ²⁷ Cohoon, J. McGrath, Vivek Wadhwa, and Lesa Mitchell, "The Anatomy of an Entrepreneur: Are Successful Women Entrepreneurs Different From Men?" The Kauffman Foundation, May 2010. http://www.kauffman.org/uploadedfiles/successful_women_entrepreneurs
- ²⁸ Cohoon, J. McGrath, Vivek Wadhwa, and Lesa Mitchell, "The Anatomy of an Entrepreneur: Are Successful Women Entrepreneurs Different From Men?" (The Kauffman Foundation, May 2010), http://www.kauffman.org/uploadedfiles/successful_women_entrepreneurs_5-10.pdf
- ²⁹ Both women and men sought counseling at WBCs.
- ³⁰ U.S. Small Business Administration, "Impact Study of Entrepreneurial Development Resources: Face-to-Face Counseling," November 2011. <http://www.sba.gov/sites/default/files/SBA%20ED%20Resources%20Impact%20Study%20Nov%202011%20Final%20Report.pdf>
- ³¹ Gundry, *The Ambitious Entrepreneur*, 2001.
- ³² Ellen Galinsky, Kerstin Aumann, and James T. Bond, "Times are Changing: Gender and Generation at Work and at Home," study conducted for the Families and Work Institute, August, 2011. http://familiesandwork.org/site/research/reports/Times_Are_Changing.pdf
- ³³ Ibid.
- ³⁴ Pew Research, "Women Call the Shots at Home; Public Mixed on Gender Roles in Jobs," September 2008, Accessed 10 January 2013: <http://www.pewsocialtrends.org/2008/09/25/women-call-the-shots-at-home-public-mixed-on-gender-roles-in-jobs/>
- ³⁵ Galinsky, "Times are Changing," 2011.
- ³⁶ PNC, *Outlook*, 2011,
- ³⁷ NetMBA: Business Knowledge Center. "Market Segmentation," 2010 <http://www.netmba.com/marketing/market/segmentation/>.
- ³⁸ U.S. Census Bureau, "Statistics About Business Size (Including Small Businesses)," 2007, accessed January 14, 2013. <http://www.census.gov/econ/smallbus.html>

³⁹ U.S. Census Bureau, 2007 Survey of Business Owners.

⁴⁰ U.S. Census Bureau, "U.S. Self-Employment" *Monthly Labor Review*. September 2010, 17-32.

⁴¹ A business owner could qualify for more than one segment.

⁴² American Express OPEN, "Businesses Report, 2012, 15.

Chapter 2

ACCESS TO CAPITAL BY HIGH-GROWTH WOMEN-OWNED BUSINESSES^{*}

Susan Coleman and Alicia Robb

INTRODUCTION

This report examines factors affecting access to capital for high growth women-owned or women-led firms. Prior research suggests that significant gender differences in firm employment, size, and growth rates persist (Bitler et al., 2001; Fairlie & Robb, 2009; Coleman & Robb, 2009). Data from the United States Census Bureau indicate that less than 30% of businesses are owned by women and only 12% of those firms employ anyone other than the business owner are herself. Only 2 percent have 10 or more employees. Census data indicate women-owned employer firms make up just 16% of employer firms and that only 2 percent of women-owned firms in the United States have revenues in excess of \$1 million. (*2007 Survey of Business*).

Some researchers attribute women's lower levels of participation in growth-oriented entrepreneurship to gender differences in key resource inputs in the areas of human, social, and financial capital (Carter et al., 1997; Coleman, 2007; Fairlie & Robb, 2009; Menzies et al., 2004; Orser et al., 2006; Robb & Wolken, 2002). Recent studies indicate that women-owned entrepreneurs raise small amounts of capital to finance their firms and are

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more reliant on personal rather than external sources of financing (Coleman & Robb, 2009; Coleman & Robb, 2010). Within the context of growth-oriented entrepreneurship, this distinction is important, because growth-oriented firms typically require substantial amounts of external capital in the form of both debt and equity. If women entrepreneurs do not seek, or if they are not able to obtain, external capital, their prospects for growing their firms are diminished considerably.

This report provides an overview on issues relating to access to capital for women-owned firms with a particular focus on growth-oriented firms. To date, comparatively few studies have examined the financing issues and strategies of growth-oriented women-owned firms due to a lack of data. More recently, however, the Kauffman Firm Survey (KFS) has furnished a large data set on more than 4,000 U.S. firms launched in 2004. Data on these firms are collected annually to create a panel data set covering the years 2004-2011. This data set allows us to examine the financing behavior and patterns of growth-oriented women-owned firms over an eight-year timeframe. The KFS provides data on both owner and firm characteristics in addition to motivations, attitudes, perceived barriers, and sources of financing. This level of detail allows us to overcome some of the data limitations of earlier studies that have attempted to explore the theme of access to capital in women-owned firms. This study expands upon our understanding of this topic and should help government officials develop policies directed toward supporting women entrepreneurs in their efforts to grow their firms.

BACKGROUND

Women-owned firms represent an important segment of the business sector. According to estimates using the latest available data from the U.S. Census Bureau, there were nearly 9 million privately-held women-owned firms in the United States in 2012 (U.S. Census Bureau 2012). As shown in Table 1, these firms generated an estimated \$1.4 trillion in sales and employed 7.8 million people. Women-owned firms continue to comprise a minority of all firms (30%) and they continue to generate much smaller shares of revenues (3.8%), employment (6.2%), and payroll (4.3%). While their share in the number of businesses continues to grow over time, the shares of employer firms, revenues, employment, and payroll have stagnated or even declined over the last two decades.

Table 1. Women-Owned Businesses

Women	1997	2002	2007	2012
Firms (Number)	5,417,034	6,489,483	7,793,425	8,943,038
Receipts (Millions of dollars)	\$818,669	\$940,775	\$1,192,781	\$1,358,187
Employer Firms (number)	846,780	916,768	911,285	956,116
Receipts (millions of dollars)	\$717,764	\$804,097	\$1,010,470	\$1,136,816
Employees (number)	7,076,081	7,146,229	7,587,020	7,780,716
Annual payroll (millions of dollars)	\$149,116	\$173,709	\$218,136	\$249,340
All				
Firms (Number)	20,821,934	22,974,685	27,110,362	29,924,088
Receipts (Millions of dollars)	\$18,553,243	\$22,627,167	\$30,181,461	\$35,415,508
Employer Firms (number)	5,295,151	5,524,813	5,752,975	5,982,137
Receipts (millions of dollars)	\$17,907,940	\$21,859,758	\$29,208,766	\$34,292,981
Employees (number)	103,359,815	110,786,416	118,668,699	126,247,194
Annual payroll (millions of dollars)	\$2,936,493	\$3,813,488	\$4,886,977	\$5,829,470
Women as a Percentage of All				
Firms	26.0%	28.2%	28.7%	29.9%
Receipts	4.4%	4.2%	4.0%	3.8%
Employer Firms	16.0%	16.6%	15.8%	16.0%
Receipts of Employer Firms	4.0%	3.7%	3.5%	3.3%
Employees	6.8%	6.5%	6.4%	6.2%
Annual Payroll	5.1%	4.6%	4.5%	4.3%

Source: 1997, 2002, and 2007 Surveys of Business Owners and Author Calculations.

An increasing number of studies have examined access to capital as a possible impediment to the growth of women-owned firms (Brush et al., 2001; Brush et al., 2004; Coleman & Robb, 2009). This study seeks to extend this line of inquiry by using data from the Kauffman Firm Survey. To our knowledge, this is the first study to explore issues relating to access to capital with a specific focus on growth-oriented women-owned firms using a large, longitudinal data set of U.S. firms.

PREVIOUS RESEARCH

Prior research has fairly consistently indicated that women-owned small businesses underperform businesses owned by men in measures of size and growth. Coleman (1999) used data on U.S. firms from the 1993 National Survey of Small Business Finances to find that women-owned firms were smaller than men-owned firms, were more likely to be organized as sole proprietorships, and were more likely to be in service lines of business. Bitler et al. (2001) had similar findings using data from the 1998 Survey of Small Business Finances. Coleman (2007) also used data from the 1998 SSBF to find that financial capital was a significant predictor of growth in women-owned firms.

Using data from the Census Bureau's Characteristics of Business Owners Survey, Fairlie and Robb (2009) found that women-owned firms were substantially smaller and less likely to hire employees than those owned by men. Coleman and Robb (2009) had similar findings using four years of data from the Kauffman Firm Survey. A relatively small percentage of women-owned firms are in rapid growth or high technology lines of business (Menzies et al., 2004; Morris et al., 2006). Recent studies suggest that women entrepreneurs are making gains in fields previously dominated by men (*National Women's Business Council 2012 Annual Report*), but there is still a significant gap in fields such as information technology, manufacturing, construction, and transportation (Hackler et al., 2008; *Developments in Women-owned Business, 1997-2007*, 2011). These gaps are important to understand because these industries provide fertile ground for both revenue generation and employment opportunities.

Qualities typically associated with innovation and high growth entrepreneurship include self-confidence and a willingness to assume risks that may accompany failure. Prior research attests to gender differences in both of these dimensions (Koellinger et al., 2008; Minniti, 2010). In terms of self-confidence, women are often seen, or even describe themselves, as less confident in their own abilities than men (Allen et al., 2008; Catalyst, 2000). Similarly, prior research has often found that women lag men in the area of *self efficacy* or "the self-confidence that one has the necessary skills to succeed in creating a business" (Wilson et al., 2007: 388). From the standpoint of risk aversion, a number of studies have similarly identified the fear of failure as a major impediment to the launch and growth of women-owned firms (Allen et al., 2008; Canizares & Garcia, 2010; Cliff, 1998; Sexton & Bowman-Upton, 1990; Watson & Newby, 2005).

A 2010 innovation survey in the United States sponsored by UNCTAD focused on gender differences. One interesting finding from the data was that women business owners had fewer failure experiences than men, which may suggest, women are more likely to take *calculated risks* and develop contingency plans if events do not transpire as anticipated (Coleman & Robb, 2012; Coleman & Robb 2014). Women and men business owners in the sample also exhibited different responses to failure experiences. Whereas both women and men responded that their own hard work was the major factor in recovering from a failure (43.9 per cent and 37.9 per cent), men were much more likely to attribute their recovery to self-confidence than women (33.3 per cent vs. 17.5 per cent). Consistent with prior research, women appear to rely more heavily on family support than men (7.9 per cent vs. 1.5 per cent). Women were also more willing to turn to external advisors (7.9 per cent vs. 4.5 per cent) to help them recover from a failure experience.

Taken together, much of this previous literature suggests that women are less likely to be involved in highly risky and innovative types of industries and activities. However, a new and growing stream of research contends that our definitions of innovation tend to be *gendered* and biased towards the types of industries (such as information technology and manufacturing) typically dominated by men (Blake & Hanson, 2005; Eriksson & Aromaa, 2012; Ranga & Etzkowitz, 2010; Sjogren & Lindberg, 2012). This contention is consistent with observations regarding the *gendered* nature of entrepreneurship in general. In reviewing a sample of 81 research articles, Ahl (2006: 595) found “a tendency to recreate the idea of women as being secondary to men and of women’s businesses being of less significance.” Similarly, Brush et al. (2009: 19) argued that, for women, context affects the ways in which the entrepreneurial process unfolds as well as on “growth prospects or even novelty of the venture.”

In terms of financing firms, regardless of whether they are high growth or lifestyle firms, previous studies reveal that women start their businesses with smaller amounts of capital and are less likely to raise capital from external sources (Coleman, 2000; Coleman & Robb, 2009; Constantinidis et al., 2006; Hadary, 2010; Orser et al., 2006; Fairlie & Robb, 2009; Robb & Wolken, 2002). In particular, women employ a much lower percentage of external equity capital to finance their firms (Coleman & Robb, 2009; Ibid, 2012). Some researchers attribute this discrepancy to lower levels of demand prompted by women entrepreneurs’ preference for less, or at least slower, rates of growth (Cliff, 1998; Morris et al., 2006; Orser & Hogarth-Scott, 2002). Others, however, find evidence of supply problems pointing out that networks

providing access to external equity tend to be closely knit and male dominated (Brush et al., 2004). Taken together, these results from prior research indicate gender differences in financial strategies and structures persist, and there is a lower predilection for growth among women entrepreneurs. In light of that, one of our tasks in this study will be to identify the strategies and structures, or “best practices” that do, in fact, contribute to and enhance growth in entrepreneurial firms.

From a public policy perspective, nurturing high growth firms is important, because growth-oriented firms generate a larger number of jobs and create a greater economic impact (Tracy, 2011). A recent survey in the first quarter of 2014 of Inc. 500|5000 firms showed just how different financing strategies are for female founders and male founders of these high growth firms. Male founders were more than three times as likely as female founders to access equity financing through angels or VCs (14.4% versus 3.6%). Men were also more likely than women to tap networks of close friends (9.2% versus 1.8%) and business acquaintances (13.5% versus 5.4%). More than half of each (51.3% of men and 55.4% of women) used bank financing as a source of capital for their Inc. 5000 firm (Coleman and Robb, forthcoming).

DATA AND RESEARCH METHODOLOGY

The sample for this study is the pooled cross-sectional time series of more than 4,0000 businesses in the Kauffman Firm Survey, a nationally representative survey of the cohort of businesses that started operations in 2004, followed over the 2004 to 2011 period. Detailed information on the sample and its construction is available at <http://sites.kauffman.org/kfs/>.

We are able to exploit rich information regarding the owner and firm characteristics, as well as detailed data on financing, motivation, and performance. The baseline survey of new businesses has been followed up with seven subsequent annual surveys to date in an ongoing effort to track new business trajectories (Ballou, Barton, Desroches, Potter, Reedy, Robb, Shane and Zhao 2008; Reedy and Robb 2009). Importantly, the most recent surveys spanned the financial shocks of 2008-2010, which began in the fourth year of operations for the firms in this survey. Thus, we are able to examine access to capital, financial strategies, and structures in women-owned firms in a relatively benign economy as well as in a much more challenging economy.

The method for assigning owner demographics at the firm level was to first define a primary owner. For firms with multiple owners (35 percent of the

sample), the primary owner was designated by the largest equity share. In cases where two or more owners owned equal shares, hours worked and a series of other variables were used to create a rank ordering of owners in order to define a primary owner. (For more information on this methodology, see Robb et al., 2009). Firms with a female primary owner are classified as women-owned firms. All empirical analyses used sample weights provided that adjust for non-response and over-sampling of high-tech firms.

We first provide an overview of the firms in the KFS at the baseline year of 2004, comparing firms owned by men and women, and then comparing high growth potential firms owned by women with women-owned firms overall. In this analysis, high growth potential firms are those that have at least five employees by the end of the period. While this may seem relatively small, remember that out of around 25 million tax returns filed each year, only about 6 million businesses have any employees other than the owners themselves. A very small percentage of firms have more than five employees. As such, this was used to proxy for high growth potential.

We also take the largest firms owned by women and by men as measured by employment in 2011, the end year of the survey. This group is called “Top 25”. There are some interesting differences by gender in terms of the top ranking firms owned by men versus women. For example, by 2011, 40% of the top female ranked firms were solo-owners, compared with about 15% of top male ranked firms. That is, 85% of the top ranked firms owned by men had team ownership, compared with just 60% of female owned firms. And the sizes were dramatically different as well. The employment threshold that the top women-owned firms met was just 9 employees, compared with more than 40 employees for firms owned by men. In fact, about half the top ranked female owned firms had less than 15 employees, while non of the top male ranked firms had less than 40 employees. In fact, half of the firms owned by men employed more than 65 people each.

We considered another measure of high growth potential by using growth aspirations for the 2008-2011 period that respondents were asked about in a follow up survey. However, we see different realized growth rates, compared with expected, which is interesting in it’s own right, but makes using it as a proxy for high growth potential problematic. Yet, when we examine how expectations and motivations regarding growth differ between female and male entrepreneurs, the comparison yields some suggestive evidence about both the demand and the supply of growth capital, particularly external equity financing, for women-owned firms.

Table 2. Growth Expectations and Actual Growth (2008-2011)

	2008-2011 Growth expectations		Actual growth for 2008-2011	
	Male	Female	Male	Female
Decrease	15.8%	13.5%	23.3%	22.4%
Not change or increase by less than 5%	19.4%	24.4%	22.1%	18.5%
Increase between 5-29%	40.7%	46.2%	1.8%	0.9%
Increase by 30% or more	24.1%	16.0%	52.9%	58.2%
	100%	100%	100%	100%

	Number of employees - Growth expectations		Number of employees - Actual growth	
	Male	Female	Male	Female
2004				
Decrease	1.9	1.7	1.9	1.3
Not change or increase by less than 5%	1.3	0.7	2.3	1.8
Increase between 5-29%	2.3	1.7	2.1	1.5
Increase by 30% or more	1.9	1.6	2.2	1.3
Total	2.0	1.4	2.2	1.3
2008				
Decrease	4.0	1.9	3.7	2.6
Not change or increase by less than 5%	2.2	2.2	6.8	2.8
Increase between 5-29%	4.6	2.6	6.9	2.6
Increase by 30% or more	6.1	3.9	3.6	2.6
Total	4.5	2.6	4.4	2.6
2011				
Decrease	5.1	2.4	3.0	1.9
Not change or increase by less than 5%	1.9	1.6	9.1	3.2
Increase between 5-29%	5.4	2.7	8.8	8.8
Increase by 30% or more	7.5	4.9	5.5	2.9
Total	5.3	2.8	5.9	2.8

Source: KFS microdata.

First, in terms of expectations for growth, respondents were asked in 2009 how fast, if at all, they expected their firms to grow over the 2008-2011 period. In 2012, the growth over the period could actually be measured from the employment numbers provided for 2008 through 2011. While we only have growth expectations for firms that survived through 2008, we can still see some striking gender differences in terms of expectations of growth over the period. While nearly one quarter of males said they expected their firms to grow by at least 30% over the period, only 16% of women expected this rate of growth. About 38% of females expected to grow by less than 5% at most or even decrease over the period. This compares with 35% of men. More than 46% of women expected their firms to grow by 5% to 29% over the period, compared with 41% of men.

When we compare actual employment growth rates over the 2008-2011 period, we see more than 58% of women-owned firms grew by 30% or more, compared with 53% of firms owned by men. About 23% of males and 22% of females experienced a decrease in employment over the 2008-2011 period, while about 24% of men and 20% of women saw an increase in employment of 30% or less. Yet regardless of expectations of growth or realized growth, female-owned firms were smaller than male-owned firms in terms of starting year employment, 2008 employment, or end year employment (2011).

Consistent with previous research, women-owned firms are smaller than those owned by men, as measured by revenues, employment, or assets. We see this gap even those that were the largest measured by employment.

Looking at just the high growth potential firms in the middle columns, women were of similar age as men, and very well educated. However, they had fewer years of previous industry experience and were much less likely to have previous startup experience. In terms of firm characteristics, women-owned firms that were high growth potential had fewer employees, less likely to be in high tech fields, and less likely to have intellectual property than firms owned by men. They were also much less likely to have product offerings and much more likely to be home based. Finally, they were slightly less likely to be incorporated or to be owned by teams and had lower credit scores.

In terms of how high growth potential firms compared with firms overall, there were also some interesting differences. They were more likely to be owned by teams, to be in high tech industries, to be located outside of the home, to have higher credit scores, and to be incorporated. In addition, high growth firm owners had higher levels of education than owners of firms on average. The highest ranked firms in terms of employment were much more

likely to have owners with previous startup experience and more years of industry experience.

Table 3. Baseline Characteristics (2004)

		All		High Growth Potential		Top 25	
Firm Characteristics	All	Female	Male	Female	Male	Female	Male
Employment	1.74	1.13	2.06	3.76	6.28	5.29	19.96
High Tech	5.5%	2.6%	6.9%	5.1%	9.0%	4.9%	8.6%
Any Intellectual Property	19.5%	18.2%	19.9%	17.3%	27.1%	9.2%	44.5%
Product Offered	51.8%	54.8%	50.5%	37.1%	60.0%	46.6%	44.3%
Home Based	49.8%	50.9%	49.4%	32.7%	16.8%	16.0%	10.6%
Incorporated	57.8%	48.5%	62.0%	83.5%	87.1%	88.0%	97.0%
Team Ownership	30.1%	28.5%	30.8%	52.9%	57.8%	56.4%	58.5%
High Credit Score	8.5%	7.8%	8.8%	12.9%	20.1%	17.0%	7.0%
Medium Credit Score	49.0%	47.1%	50.0%	47.9%	57.0%	42.0%	76.0%
Low Credit Score	42.5%	45.2%	41.2%	39.3%	23.0%	41.0%	16.9%
Primary Owner Characteristics							
Hours Worked	42.2	40.2	43.1	42.3	56.1	39.8	48.1
Owner Age	44.9	44.8	44.9	42.7	44.1	45.7	46.3
Prev. Industry Exp.	11.7	8.9	12.9	10.4	14.5	11.9	16.8
Prev. Startup Exp.	42.7%	35.7%	45.9%	33.0%	48.2%	53.3%	63.5%
Some High School	2.0%	0.8%	2.6%	0.0%	0.5%	0.0%	0.0%
High School Grad or Less	13.6%	10.6%	15.3%	5.0%	7.6%	5.1%	0.7%
Some College	36.6%	42.7%	34.8%	30.3%	25.6%	31.8%	33.4%
College Grad	30.2%	28.1%	31.8%	45.1%	42.1%	53.8%	28.0%
Graduate Degree+	17.5%	18.1%	17.7%	19.7%	24.8%	9.3%	37.9%

Source: KFS microdata.

We next examine the types of startup financial capital, both internal and external, that are employed by women-owned firms and how the amounts and sources of capital used differ from those of firms owned by men. In addition, we examine how the sources of capital used by growth-oriented firms differ from those that are smaller, lifestyle businesses.

We follow Robb and Robinson (2013) and group financial capital into six main categories: 1) Owner Equity: Equity invested by the owner(s) of the firm; 2) Insider Equity: Equity invested by spouse(s) or parent(s) of the owner(s); 3) External Equity: Equity invested by informal investors, venture capitalists, other businesses, government, or other individuals, such as angel investors; 4) Owner Debt: Owner loan to the business, personal credit cards in the name of

the owner(s) used for business financing; 5) Insider Debt: Personal credit for the business provided to the owner from family, employees, and others & business credit provided by family of the owners, employees of the businesses; 6) External Debt: Business credit cards, personal bank loans, business bank loans, business credit lines, other business loans, business loans from the government, business loans from nonbank sources, other business loans from individuals and others. Thus, Total Financial Capital is the sum of all financing from the six categories: owner debt, owner equity, insider debt, insider equity, external debt, and external equity.

As shown in Table 4, women started their firms with about \$75,000 on average, compared with nearly \$135,000 for men. Women were slightly more reliant on owner equity and insider and outsider debt. The biggest difference was with regard to outside equity. Only 2 percent of the funding came from outside equity for women-owned firms, compared with 18 percent for men. This gap also occurred in both the high growth potential firms and the top ranked firms by employment. For women-owned firms the percentages were 6% and 9% respectively, while for men the percentages were 18% and 48%.

Overall, high growth potential firms started their businesses with about twice the capital as non-growth businesses. They were also more likely to rely out outsider financing, both debt and equity. Firms owned by men, growth or non growth, used far more capital than their female-owned business counterparts. While male-owned firms used nearly twice the amount of capital that female-owned firms did in the non-growth cases, they used more than twice the amount of capital that females did in the high growth potential cases. And for the top employer firms, the gap was even larger. Thus, women are relatively less capitalized than men, and even more so in high growth potential businesses, and especially so in the top employer firms. Recall from the previous section that the top employer firms that were male-owned, were much larger than the top employer firms owned by women.

What we observe are financing patterns, which reflect outcomes but not credit experiences. The KFS does ask about outside equity applications for three years: 2009 through 2011. Respondents are asked if they didn't apply for outside equity at some point when they wanted it because they felt they'd be turned down. Between 4 and 5% of respondents, both women and men, indicated that was the case in each of the years.

Table 4. Startup Capital (2004)

	All	All		High Growth Potential		Top 25	
		Female	Male	Female	Male	Female	Male
Owner Equity	\$33,153	\$24,087	\$37,087	\$46,764	\$79,356	\$47,076	\$170,472
Insider Equity	\$2,106	\$1,901	\$2,022	\$930	\$4,808	\$1,835	\$-
Outsider Equity	\$16,619	\$1,450	\$23,794	\$8,868	\$56,037	\$19,664	\$611,814
Owner Debt	\$4,810	\$3,750	\$5,327	\$6,152	\$18,188	\$7,282	\$45,058
Insider Debt	\$6,699	\$5,994	\$7,160	\$12,169	\$16,199	\$19,130	\$45,408
Outsider Debt	\$51,847	\$37,871	\$59,010	\$73,379	\$144,731	\$116,077	\$407,121
Total Fin. Cap.	\$115,233	\$75,053	\$134,399	\$148,262	\$319,320	\$211,064	\$1,279,873
Outside Debt Ratio	19%	18%	19%	21%	28%	23%	16%

Source: KFS microdata.

While we cannot delve into the demand of outside equity, we can look at the demand for credit. We have credit market experiences for the years 2007 through 2011. As we see from Table 5, in terms of new loan applications, about 10% of women-owned firms sought out new credit in the years from 2007-2009, compared with about 13% for men. The rates fell slightly for each in the 2010-2011 period. For high growth potential firms, about 30% of male and female-owned firms sought out new credit in the early years of observation, but those numbers dropped quite a lot for women in 2010 and 2011 and only slightly for men. Due to small samples sizes, we won't spend too much time discussing the top 25, but it's interesting to note that women were more likely to apply for new loans in 2007 and 2008.

It appears women were more likely to be discouraged from applying for loans for fear of having their loan application denied, especially in the height of the financial crisis of 2008-2010.

Fear was higher among the high growth potential firms for women, but not for men. It does appear that the fear was somewhat justified for women. In terms of loan approvals, they were much less likely to have their loans

approved, especially for the larger, high growth potential firms. Approval levels dropped for both men and women during the crisis years, but more so for women-owned firms. Overall, high growth potential firms were much more likely to seek credit than non-growth companies.

Remember from the previous section that women had lower credit scores than men. We next examine credit market experiences in a multivariate setting so that we can control for differences in factors that might influence those experiences.

Table 5. Credit Market Experiences (2007-2011)

	All	All		High Growth Potential		Top 25	
		Female	Male	Female	Male	Female	Male
New Loan Apps							
2007	12.3%	9.8%	13.3%	30.9%	29.5%	44.9%	25.8%
2008	12.6%	10.4%	13.6%	27.3%	28.1%	32.3%	24.8%
2009	12.0%	10.2%	12.5%	29.0%	29.2%	19.4%	40.4%
2010	11.2%	8.3%	11.9%	15.2%	26.1%	19.1%	36.0%
2011	10.5%	9.9%	10.8%	17.5%	23.6%	10.3%	48.2%
Did not Apply for Fear of Denial							
2007	15.9%	16.8%	15.6%	14.5%	15.6%	24.4%	0.8%
2008	19.2%	21.1%	18.2%	29.2%	19.2%	27.8%	25.9%
2009	20.5%	22.7%	19.4%	39.2%	18.7%	47.7%	8.6%
2010	18.6%	19.8%	17.3%	31.5%	15.0%	37.5%	18.6%
2011	18.0%	20.0%	17.1%	31.3%	17.6%	37.3%	0.7%
Always Approved							
2007	71.3%	74.0%	70.3%	68.4%	84.4%	51.0%	95.4%
2008	65.2%	56.7%	67.6%	47.6%	69.9%	59.8%	82.3%
2009	60.9%	54.9%	63.0%	37.1%	71.0%	*	81.8%
2010	61.3%	56.3%	64.4%	45.6%	74.3%	*	78.0%
2011	68.4%	58.6%	73.2%	56.3%	82.7%	*	92.7%

* Sample size too small.

Source: KFS microdata.

Multivariate Analysis

We next use multivariate regressions to examine the determinants of financing patterns (outsider equity, outsider debt ratio) and credit market experiences (not applying for fear of denial, loan application outcome) to look at gender differences controlling for other factors. For example, the model for

outside debt ratio can be expressed as a function of the following characteristics:

$$\text{Outside Debt Ratio } (t)_i = a + \beta_1 \text{Gender}_i + \beta_2 \text{Firm}_i + \beta_3 \text{Owner}_i + \text{CredRisk}(t)_i + e_i$$

where:

Firm is the vector of firm characteristics such as baseline employment, legal form, industry, product offering, and industry (2 digit NAICS level controls);

Owner is the vector of the entrepreneur's personal characteristics such as age, education, industry experience, startup experience, and team ownership;

Gender is a dummy variable equal to 1 if the primary owner is female; and

CreditRisk is a measure of the firm's creditworthiness, which also provides an indication of the firm's ability to raise external capital.

The dependent variables we examine are the following: log of total financial capital, the ratio of outside debt to total financial capital, the log of outsider equity, not applying for a loan when credit was needed due to a fear of having the loan application denied, and loan application(s) always approved. We run the multivariate regressions pooled with a gender dummy for each of these models for the whole sample. Results are presented in Tables 6-10.

The first multivariate regression looked at the log of total financial capital injected in each year. As shown in Table 6, the coefficient on female was negative in each of the eight years examined and was statistically significant in the years after startup and before the financial crisis. So, even after controlling for industry and other factors, women were still likely to use less financial capital in several years. The coefficient on high growth potential was also generally positive and was statistically significant in the last four years covered in the survey (2008-2011). Other important factors were previous startup experience (positively related), good credit scores (positive), incorporation (positive), product offerings (positive), home based (negative), employment (positive), and team ownership (positive).

In terms of outsider equity (venture capitalists, angel investors, business investors), women-owned firms were less likely to rely on this source, even after controlling for industry, high growth potential, and a myriad of other factors.

Table 6. Regressions by year of Log of Total Financial Capital

	2004	2005	2006	2007	2008	2009	2010	2011
Female	-0.0380	-0.739***	-0.665***	-0.726***	-0.0734	-0.444	-0.0886	-0.0950
	(0.128)	(0.208)	(0.234)	(0.270)	(0.271)	(0.288)	(0.312)	(0.314)
Some College	-0.0266	-0.0433	0.0252	0.223	0.246	0.833*	0.553	0.698
	(0.182)	(0.306)	(0.339)	(0.400)	(0.403)	(0.430)	(0.453)	(0.473)
Coll. Degree	-0.135	0.0614	-0.328	0.175	0.307	1.017**	-0.0155	0.276
	(0.200)	(0.326)	(0.358)	(0.420)	(0.424)	(0.443)	(0.474)	(0.502)
Grad Degree	0.0508	0.326	-0.0267	0.333	-0.228	1.178**	-0.461	0.315
	(0.224)	(0.360)	(0.394)	(0.459)	(0.474)	(0.485)	(0.522)	(0.546)
Startup Exp.	0.0961	0.402**	0.530**	0.394*	0.560**	0.160	0.458*	0.407
	(0.121)	(0.188)	(0.209)	(0.238)	(0.242)	(0.257)	(0.272)	(0.277)
Ind.Experience	-0.0320***	-0.0221**	-0.0243**	-0.0127	0.000483	-0.0126	-0.0151	-0.0207
	(0.00636)	(0.00927)	(0.0107)	(0.0122)	(0.0123)	(0.0130)	(0.0140)	(0.0140)
Owner Age	0.0778**	0.0624	0.0333	-0.0678	-0.104	0.0570	0.0722	0.139*
	(0.0382)	(0.0542)	(0.0606)	(0.0727)	(0.0737)	(0.0797)	(0.0868)	(0.0844)
Aqe squared	-0.000660	-0.000623	-0.000314	0.000850	0.00110	-0.000435	-0.000437	-0.00124
	(0.000419)	(0.000576)	(0.000642)	(0.000767)	(0.000774)	(0.000839)	(0.000922)	(0.000900)
Hours worked	0.0305***	0.0283***	0.0271***	0.0291***	0.0264***	0.0221***	0.0202***	0.0269***
	(0.00282)	(0.00411)	(0.00475)	(0.00519)	(0.00536)	(0.00561)	(0.00594)	(0.00585)
High Credit Score	0.722***	0.970***	0.541	0.783*	0.904*	0.371	0.390	0.428
	(0.254)	(0.346)	(0.395)	(0.449)	(0.469)	(0.495)	(0.540)	(0.520)
Med. Credit Score	0.632***	0.666***	0.410*	0.109	0.176	-0.00131	0.0822	0.176
	(0.127)	(0.195)	(0.218)	(0.250)	(0.258)	(0.266)	(0.283)	(0.290)
Incorporated	0.642***	0.562***	0.690***	0.257	0.207	0.717**	0.556*	0.558*
	(0.131)	(0.205)	(0.230)	(0.269)	(0.267)	(0.282)	(0.299)	(0.302)

Table 6. (Continued)

	2004	2005	2006	2007	2008	2009	2010	2011
Intel. Property	0.0529	0.574***	0.224	0.430	0.285	0.178	0.430	0.336
	(0.145)	(0.219)	(0.258)	(0.290)	(0.305)	(0.307)	(0.330)	(0.340)
Product	0.347**	0.675***	0.775***	0.717***	0.548**	0.827***	0.610**	0.511*
	(0.139)	(0.209)	(0.229)	(0.268)	(0.275)	(0.289)	(0.296)	(0.307)
Home Based	-0.781***	-0.518**	-0.453**	-0.513**	-0.631**	-0.511*	-0.237	0.242
	(0.137)	(0.206)	(0.225)	(0.262)	(0.270)	(0.279)	(0.301)	(0.295)
Employment	0.0665***	0.0691***	0.0580***	0.0276	0.0541*	0.0866***	0.0343	0.0288
	(0.0188)	(0.0227)	(0.0213)	(0.0336)	(0.0284)	(0.0300)	(0.0345)	(0.0341)
Team Ownership	0.408***	0.511**	0.188	0.280	0.0797	0.521*	0.372	-0.0943
	(0.145)	(0.217)	(0.249)	(0.290)	(0.293)	(0.306)	(0.333)	(0.328)
High Growth Pot.	0.344	0.540	-0.127	0.457	0.786*	0.963**	1.943***	1.960***
	(0.255)	(0.342)	(0.393)	(0.419)	(0.428)	(0.417)	(0.457)	(0.443)
Constant	4.985***	3.800***	4.882***	6.600***	7.993***	2.085	0.732	-0.555
	(0.908)	(1.299)	(1.454)	(1.764)	(1.795)	(1.949)	(2.105)	(2.063)
Observations	3,971	3,458	3,031	2,540	2,415	2,209	2,034	1,893
R-squared	0.173	0.123	0.087	0.083	0.082	0.100	0.087	0.091

Standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Table 7. Regressions by year of Log of Outsider Equity

	2004	2005	2006	2007	2008	2009	2010	2011
Female	-0.230***	-0.192**	-0.0798	-0.140***	-0.122**	0.0879	-0.0979*	0.00994
	(0.0817)	(0.0776)	(0.0788)	(0.0530)	(0.0502)	(0.0806)	(0.0569)	(0.0897)
Some College	0.194*	0.173**	0.171*	-0.0253	0.0898	0.0623	-0.000299	0.0768
	(0.102)	(0.0725)	(0.0972)	(0.0671)	(0.0606)	(0.0596)	(0.0690)	(0.0513)
Coll. Degree	0.0539	0.221**	0.150	0.127	0.0316	0.0892	0.0347	0.151**
	(0.115)	(0.0933)	(0.103)	(0.0785)	(0.0593)	(0.0675)	(0.0946)	(0.0765)
Grad Degree	0.280*	0.344***	0.418***	0.403***	0.231**	0.0382	0.0432	-0.0260
	(0.154)	(0.123)	(0.153)	(0.144)	(0.108)	(0.0777)	(0.122)	(0.0476)
Startup Exp.	0.125	0.112	0.0942	0.0157	0.132**	0.0956	0.116*	0.183***
	(0.0870)	(0.0783)	(0.0804)	(0.0713)	(0.0596)	(0.0745)	(0.0649)	(0.0697)
Ind.Experience	-0.00877*	0.00303	0.000715	-0.000444	-0.00118	-0.00125	-0.00555	-0.00874**
	(0.00459)	(0.00443)	(0.00438)	(0.00412)	(0.00383)	(0.00427)	(0.00345)	(0.00444)
Owner Age	0.0567***	-0.00713	-0.00393	-0.0137	0.00244	0.0171	0.00622	0.000320
	(0.0207)	(0.0253)	(0.0202)	(0.0283)	(0.0196)	(0.0180)	(0.0173)	(0.0133)
Aqe squared	-0.00534**	8.30e-05	6.93e-05	0.000200	-1.86e-05	-0.000158	-1.24e-05	8.07e-05
	(0.000214)	(0.000267)	(0.000219)	(0.000322)	(0.000202)	(0.000204)	(0.000168)	(0.000156)
Hours worked	0.00145	0.00455***	0.000410	0.00483**	-0.000994	0.00167	0.000777	0.00250
	(0.00178)	(0.00175)	(0.00174)	(0.00221)	(0.00136)	(0.00252)	(0.00135)	(0.00236)
High Credit Score	-0.00116	-0.0197	0.0606	-0.273**	-0.0363	-0.270***	-0.264**	-0.0945
	(0.184)	(0.182)	(0.181)	(0.118)	(0.143)	(0.0794)	(0.126)	(0.106)
Med Credit Score	0.00857	-0.0196	0.0284	-0.0754	-0.0210	-0.0153	-0.112	0.0259
	(0.0867)	(0.0800)	(0.0819)	(0.0687)	(0.0606)	(0.0714)	(0.0699)	(0.0684)
Incorporated	0.450***	0.200***	0.219***	0.0784	0.0419	0.0884	0.0474	0.0992
	(0.0816)	(0.0704)	(0.0802)	(0.0556)	(0.0408)	(0.0744)	(0.0669)	(0.0644)

Table 7. (Continued)

	2004	2005	2006	2007	2008	2009	2010	2011
Intel. Property	0.277**	0.411***	0.283**	0.173*	0.365***	0.184	0.123	0.00255
	(0.118)	(0.123)	(0.120)	(0.0997)	(0.123)	(0.113)	(0.133)	(0.0931)
Product	0.0195	-0.0178	0.0831	0.146*	0.142*	-0.0306	-0.0195	-0.00360
	(0.0971)	(0.0858)	(0.0985)	(0.0853)	(0.0854)	(0.0723)	(0.0891)	(0.0824)
Home Based	-0.192**	-0.148*	-0.0468	0.00600	-0.0519	-0.0673	-0.173***	-0.0105
	(0.0853)	(0.0865)	(0.0784)	(0.0787)	(0.0648)	(0.103)	(0.0592)	(0.0929)
Employment	0.0610***	0.0428**	0.0293*	0.0180**	0.0271	0.0449*	0.00288	0.0120
	(0.0167)	(0.0214)	(0.0171)	(0.00917)	(0.0202)	(0.0237)	(0.00848)	(0.0109)
Team Ownership	0.226*	0.236**	0.242**	0.222**	0.162*	-0.0840	-0.0248	-0.0440
	(0.117)	(0.111)	(0.115)	(0.0960)	(0.0956)	(0.0935)	(0.0981)	(0.0916)
High Growth Pot.	0.345	-0.0635	-0.305*	-0.0478	0.0894	-0.0573	0.505**	0.193
	(0.246)	(0.225)	(0.169)	(0.153)	(0.183)	(0.182)	(0.198)	(0.150)
Constant	-1.558***	-0.358	-0.167	-0.247	-0.104	-0.550	-0.129	-0.197
	(0.486)	(0.593)	(0.469)	(0.555)	(0.447)	(0.489)	(0.417)	(0.356)
Observations	3,971	3,458	3,031	2,540	2,415	2,209	2,034	1,893
R-squared	0.074	0.059	0.039	0.055	0.056	0.051	0.053	0.037

Standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Table 8. Regressions by year of Outside Debt Ratio

	2004	2005	2006	2007	2008	2009	2010	2011
Female	-0.000426	-0.0343**	-0.0447**	-0.0459**	-0.00379	-0.0311	-0.0188	-0.0120
	(0.0131)	(0.0171)	(0.0201)	(0.0225)	(0.0223)	(0.0235)	(0.0254)	(0.0249)
Some College	-0.0167	0.00826	0.00660	0.0534*	0.0638**	0.0359	0.0151	0.0531
	(0.0184)	(0.0234)	(0.0289)	(0.0311)	(0.0315)	(0.0357)	(0.0370)	(0.0369)
Coll. Degree	-0.0365*	0.00646	-0.00239	0.0205	0.0707**	0.0246	-0.00922	0.0235
	(0.0196)	(0.0255)	(0.0304)	(0.0325)	(0.0327)	(0.0367)	(0.0385)	(0.0379)
Grad Degree	-0.0147	-0.00571	-0.0247	0.00717	-0.00610	0.0211	-0.0368	-0.00115
	(0.0221)	(0.0277)	(0.0328)	(0.0361)	(0.0361)	(0.0401)	(0.0418)	(0.0408)
Startup Exp.	-0.00324	0.00158	-0.00291	0.0243	0.00552	0.00448	0.0237	-0.0107
	(0.0117)	(0.0158)	(0.0182)	(0.0202)	(0.0208)	(0.0218)	(0.0223)	(0.0221)
Ind.Experience	-0.00147**	-0.00178**	-0.00190**	-0.00230**	0.000544	-0.00128	-0.000762	0.000246
	(0.000604)	(0.000762)	(0.000921)	(0.00100)	(0.00103)	(0.00107)	(0.00109)	(0.00112)
Owner Age	0.00831***	0.00885**	0.00977**	0.00105	-0.000122	0.0175***	0.0120*	0.0167***
	(0.00301)	(0.00434)	(0.00493)	(0.00560)	(0.00598)	(0.00575)	(0.00663)	(0.00604)
Hours worked	0.000600**	0.00156***	0.00181***	0.00155***	0.00169***	0.00129***	0.000904*	0.00153***
	(0.000235)	(0.000338)	(0.000368)	(0.000417)	(0.000421)	(0.000442)	(0.000463)	(0.000462)
High Credit Score	0.0809***	0.0972***	0.0103	0.105***	0.121***	0.0839**	0.0672	0.0703
	(0.0242)	(0.0310)	(0.0331)	(0.0393)	(0.0413)	(0.0410)	(0.0455)	(0.0434)
Med Credit Score	0.0460***	0.0436***	0.0156	0.0248	0.00923	0.0248	0.00693	0.0370
	(0.0120)	(0.0161)	(0.0188)	(0.0210)	(0.0216)	(0.0220)	(0.0231)	(0.0230)
Incorporated	0.0340***	0.0783***	0.0671***	0.0799***	0.0782***	0.0867***	0.0781***	0.0791***
	(0.0127)	(0.0167)	(0.0195)	(0.0222)	(0.0225)	(0.0230)	(0.0244)	(0.0250)
Intel. Property	-0.0243*	-0.0205	-0.0363*	-0.0424*	-0.0168	-0.0361	0.00341	-0.0241
	(0.0136)	(0.0187)	(0.0215)	(0.0243)	(0.0252)	(0.0265)	(0.0278)	(0.0267)

Table 8. (Continued)

	2004	2005	2006	2007	2008	2009	2010	2011
Product	0.0226*	0.0218	0.0279	0.00633	-0.00134	0.0638***	-0.0298	0.0132
	(0.0128)	(0.0172)	(0.0195)	(0.0218)	(0.0227)	(0.0237)	(0.0242)	(0.0243)
Home Based	-0.0256**	0.00359	-0.0360*	-0.0195	-0.0282	-0.0280	-0.0134	0.00873
	(0.0121)	(0.0169)	(0.0194)	(0.0214)	(0.0218)	(0.0230)	(0.0238)	(0.0245)
Employment	0.00631***	0.00441**	0.00535***	0.00282	0.00324	0.00165	-0.000682	-0.000956
	(0.00137)	(0.00210)	(0.00199)	(0.00258)	(0.00220)	(0.00222)	(0.00231)	(0.00236)
Team Ownership	0.0114	0.0241	-0.00363	-0.00541	0.0196	0.0412	0.0178	-0.0224
	(0.0136)	(0.0183)	(0.0208)	(0.0237)	(0.0248)	(0.0258)	(0.0271)	(0.0263)
High Growth Pot.	0.0321	0.0778**	0.0390	0.0633*	0.0966***	0.127***	0.201***	0.207***
	(0.0235)	(0.0307)	(0.0322)	(0.0350)	(0.0368)	(0.0364)	(0.0370)	(0.0355)
Constant	-0.0613	-0.0167	0.0933	0.235*	0.218	-0.195	-0.0595	-0.255*
	(0.0715)	(0.106)	(0.121)	(0.142)	(0.147)	(0.144)	(0.165)	(0.150)
Observations	3,971	3,458	3,031	2,540	2,415	2,209	2,034	1,893
R-squared	0.067	0.076	0.066	0.070	0.086	0.092	0.086	0.109

Standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

The coefficient on female ownership was negative and statistically significant in five of the eight years of observation. Higher education was generally positive and statistically significant, while startup experience was positively related and statistically significant in three of the eight years of observation. Incorporation and intellectual property were positive and statistically significant in the early years of observation (the first three years for incorporation and the first five years for intellectual property). Employment and team ownership were also positively related and statistically significant in many of the years, while the coefficient on high growth potential was mixed and only statistically significant in two of the years.

The next regression examined the ratio of outsider debt to total financial capital injected in each year. Again, controlling for other factors, the coefficient on female ownership was negative in all years and statistically significant in the early years after startup (2005, 2006, and 2007). High growth potential firms were also more likely to rely on outsider debt. The coefficient on this variable was positive in all years and statistically significant in six of the eight years observed. Industry experience was generally negatively related, while owner age was positively related. Hours worked, good credit scores, and incorporation, employment, and product offerings were positively related with greater reliance on outsider debt. Intellectual property and being home based were negatively related to the reliance on outsider debt.

We next look at experiences in the credit market. While we did see some indication that women were less likely to apply for loans in the univariate comparisons, we found that after controlling for other factors, women were not significantly different than men in terms of loan applications (with the one exception being in 2011 for high growth potential firms only). Yet, when we look at discouraged borrowers, we do see some indication that women are more likely to not apply for credit when they need it because they fear their loan applications will be denied. As shown in Table 9, the coefficient on female ownership was positive in all five years that we have this data (2007-2011) and the difference was statistically significant in two of the five years (2009 and 2011). Previous startup experience was also positively related to having the fear of denial. Unfortunately, we do not know the outcomes of the previous startups. It could be the case that these businesses owners had previous failures and that signal was driving their fears. The number of hours worked was positively related, which could indicate owners were putting in more hours because of trouble with their firms. Better credit scores were negatively associated with having the fear of denial, as would be expected.

Table 9. Logistic Regression: Did not apply for credit when needed for fear of denial

	2007	2008	2009	2010	2011
Female	0.142	0.244	0.279*	0.194	0.379**
	(0.165)	(0.161)	(0.165)	(0.179)	(0.176)
Some College	0.142	0.266	0.0416	0.454*	0.201
	(0.240)	(0.237)	(0.239)	(0.272)	(0.264)
Coll. Degree	-0.245	-0.138	-0.219	0.0312	-0.155
	(0.256)	(0.253)	(0.253)	(0.287)	(0.279)
Grad Degree	-0.122	0.0929	-0.183	-0.0766	-0.445
	(0.288)	(0.293)	(0.282)	(0.317)	(0.323)
Startup Exp.	0.339**	0.303**	0.173	0.262*	0.584***
	(0.141)	(0.146)	(0.143)	(0.157)	(0.156)
Ind.Experience	-0.00904	0.00140	-0.0166**	-0.0108	-0.00561
	(0.00805)	(0.00787)	(0.00750)	(0.00843)	(0.00880)
Owner Age	-0.0828*	-0.0348	-0.00934	0.113*	0.0337
	(0.0436)	(0.0460)	(0.0461)	(0.0600)	(0.0574)
Age squared	0.000697	0.000177	7.13e-05	-0.00135**	-0.000605
	(0.000471)	(0.000500)	(0.000494)	(0.000661)	(0.000634)
Hours worked	0.0152***	0.0130***	0.0159***	0.0105***	0.00843**
	(0.00342)	(0.00310)	(0.00316)	(0.00325)	(0.00343)
High Credit Score	-0.160	-0.509*	-0.585**	-0.315	-0.279
	(0.278)	(0.292)	(0.281)	(0.309)	(0.295)
Med Credit Score	-0.0682	-0.150	-0.00285	-0.111	-0.0570
	(0.147)	(0.148)	(0.150)	(0.164)	(0.163)
Incorporated	0.0936	0.130	0.162	0.354**	0.298
	(0.151)	(0.155)	(0.161)	(0.180)	(0.183)
Intel. Property	0.0390	0.106	0.145	0.0242	-0.0883
	(0.174)	(0.177)	(0.172)	(0.195)	(0.194)
Product	0.0329	0.202	0.118	0.0432	0.0590
	(0.165)	(0.160)	(0.161)	(0.178)	(0.173)
Home Based	-0.179	0.000231	-0.00581	-0.205	0.0549
	(0.158)	(0.157)	(0.157)	(0.174)	(0.178)
Employment	0.00337	0.00283	0.00537	-0.00638	0.00253
	(0.0139)	(0.0118)	(0.0127)	(0.0145)	(0.0176)
Team Ownership	-0.273	-0.415**	-0.105	-0.274	-0.174
	(0.166)	(0.173)	(0.166)	(0.193)	(0.190)
High Growth Pot.	-0.208	0.147	0.0779	-0.104	0.126
	(0.256)	(0.230)	(0.226)	(0.259)	(0.229)
Constant	-0.136	-1.390	-1.783	-4.449***	-2.392*
	(1.048)	(1.094)	(1.099)	(1.421)	(1.321)
Observations	2,443	2,223	2,060	1,879	1,886

Standard errors in parentheses.

*** p<0.01, ** p<0.05, * p<0.1.

In terms of actual loan application outcomes, we see that the coefficient on female ownership was negative in four of the five years of observation, but only statistically significant in 2008. Industry experience was positively related to loan approval in four of the five years, but only statistically significant in the last two years of observation. Higher credit scores were generally associated with higher loan approvals, as was high growth potential, although the relationship was not statistically significant in all of the years observed. Due to small sample sizes in the loan application outcome regressions, statistical power is more limited. This set of regressions is conditional on the firms actually applying for credit, which not all firms did. The earlier set of regressions on not applying for fear of denial shown in Table 9 included all firms in the sample.

Table 10. Logistic Regression: Loan Application(s) Always Approved

	2007	2008	2009	2010	2011
Female	0.0347	-0.925**	-0.156	-0.612	-0.586
	(0.480)	(0.417)	(0.450)	(0.649)	(0.492)
Some College	0.529	1.173*	-0.183	-0.0237	-0.152
	(0.581)	(0.676)	(0.763)	(0.760)	(0.835)
Coll. Degree	0.547	0.772	-0.512	-0.200	-1.092
	(0.569)	(0.629)	(0.762)	(0.715)	(0.723)
Grad Degree	0.339	0.162	0.160	0.0706	-0.181
	(0.656)	(0.693)	(0.803)	(0.784)	(0.956)
Startup Exp.	-0.299	-0.280	0.563	-0.614	-0.314
	(0.368)	(0.361)	(0.365)	(0.421)	(0.487)
Ind.Experience	-0.0154	0.0195	0.0120	0.0669***	0.0608***
	(0.0202)	(0.0211)	(0.0167)	(0.0245)	(0.0226)
Owner Age	0.0910	0.0956	0.185	-0.295	-0.0186
	(0.129)	(0.141)	(0.135)	(0.216)	(0.192)
Aqe squared	-0.000538	-0.000580	-0.00181	0.00343	0.000216
	(0.00143)	(0.00157)	(0.00145)	(0.00251)	(0.00214)
Hours worked	-0.00704	-0.0202**	-0.000732	-0.00619	-0.0183*
	(0.00835)	(0.00882)	(0.00811)	(0.00997)	(0.0106)
High Credit Score	0.827	1.895***	0.646	0.844	0.0864
	(0.630)	(0.572)	(0.553)	(0.660)	(0.768)
Med Credit Score	-0.491	0.308	0.0988	0.840*	0.0191
	(0.376)	(0.407)	(0.394)	(0.437)	(0.459)
Incorporated	-0.317	0.156	0.690	-0.429	-0.353
	(0.415)	(0.467)	(0.441)	(0.541)	(0.529)
Intel. Property	-0.232	-0.342	-0.620	0.136	-0.0617
	(0.419)	(0.413)	(0.409)	(0.488)	(0.500)

Table 10. (Continued)

	2007	2008	2009	2010	2011
Product	0.0299	0.157	-0.202	-0.0388	0.0804
	(0.344)	(0.375)	(0.363)	(0.451)	(0.445)
Home Based	0.00241	0.463	-0.933**	-1.136**	-0.168
	(0.376)	(0.391)	(0.417)	(0.459)	(0.478)
Employment	-0.0111	0.0232	-0.0562**	-0.0355*	0.106
	(0.0175)	(0.0369)	(0.0262)	(0.0181)	(0.0776)
Team Ownership	-0.0185	0.0537	-0.316	0.175	0.961*
	(0.420)	(0.376)	(0.372)	(0.465)	(0.531)
High Growth Pot.	0.974**	-0.128	0.369	0.516	0.427
	(0.494)	(0.469)	(0.420)	(0.488)	(0.481)
Constant	-1.245	-2.458	-3.785	6.889	2.084
	(2.902)	(3.097)	(3.279)	(4.666)	(4.376)
Observations	306	289	262	207	205

Standard errors in parentheses.

*** p<0.01, ** p<0.05, * p<0.1.

CONCLUSION

Growth-oriented firms generate jobs and economic impact, and female entrepreneurs are markedly unrepresented in this subset of firms. Data for the United States as a whole indicate that women's representation in business ownership has plateaued. In 2012, it is estimated that women owned just 30% of businesses in the United States and just 16% of firms that had any employees other than the owner(s). Women-owned firms generated only about 4% of receipts and payroll, and employed just 6.2% of the workforce. It is estimated that only about 2% of women-owned firms generate more than a million dollars and there are less than one million women-owned firms in the entire country that have any employees other than the owners themselves. These are striking statistics that indicate our country has a very large untapped resource for generating jobs and high growth businesses.

Prior research suggests that access to financial capital, a key resource input for growth-oriented firms, may be more of a challenge for women-owned firms than for men. Our study examined gender differences in firm growth, as well as financing patterns and credit market experiences, for a large sample of U.S. companies that began operations in 2004 and were tracked over the period 2004 through 2011. Our analysis of this data sheds some light on

factors related to the lower employment growth of women-owned firms. While women are on par with men in terms of education levels, we know from previous research they are less likely to have degrees in the STEM fields, which are more likely to be industries that experience more growth opportunities. Other factors associated with higher growth include previous industry experience, previous startup experience, team ownership, and hours worked. Women have lower levels of all of these. Businesses that are in high tech industries and that have intellectual property are also more likely to be higher growth businesses. Women are less likely to own businesses with these characteristics. Being home based is negatively related to growth prospects and women have much higher rates than men in owning businesses that are home based.

In terms of financial capital, we see large gender gaps in the amounts of financing across all firms, high growth potential firms, and even the top ranking firms by employment. Men start firms overall with nearly twice the capital that women do. Of high growth potential firms, men use more than double what women do. Of the top ranked firms by employment and gender, men use six times the amount of financing that women do. This clearly has implications for the growth trajectories of firms and appears to be one driver of the relatively smaller sizes of women-owned firms. Multivariate analyses revealed that women were injecting significantly lower levels of financial capital in their firms in multiple years, even after controlling for credit risk, industry, and a variety of other factors that influence the demand (and supply) of credit.

In terms of the distribution of that startup capital, women were more reliant on owner equity and insider financing than men. A very small fraction of funds come from outsider equity for firms owned by women, regardless of where they were on the size spectrum. In the multivariate analysis, women were using significantly lower levels of outsider equity, even after controlling for owner education and experience, credit scores, firm characteristics such as industry, incorporation status, and size. The same held true for the ratio of outside debt to total financial capital injected. Women used less in all years and the difference was statistically significant in several of the years of observation.

In terms of credit market experiences, women had similar loan application rates as men, once other factors were controlled for. Yet, the evidence from the KFS suggests there is more unmet credit need among women, because women were more likely than men to not apply for credit when they needed it for fear of having their loan application denied. While the univariate statistics

indicated lower rates of loan approval for women than for men for those that did apply, we see that the difference was statistically significant in only one of the five years we observed them. Other drivers of lower approval rates were industry experience, credit scores, both of which women ranked lower on than men, and being home based, which women were more likely to be.

When we compare the top ranking female businesses by employment and those that had high growth potential with women-owned firms overall, we see some striking differences: they had more employees from the startup year onwards, they were more likely to be in high tech industries, they more likely to offer services (over products), and they were less likely to be home based. They were also much more likely to be incorporated, have team ownership, to have higher credit scores. In terms of owner characteristics, they had more years of industry experience and for the highest ranking, they were much more likely to have previous startup experience and more likely to have a college degree than a graduate degree. In terms of financing, the largest and growth potential firms started with much more capital (even more than male firms overall, but clearly less than the largest and growth potential firms owned by men). They also used more outside equity, but again, much less than their male owned counterparts.

The financing gap is clearly related to the size gap between men- and women-owned businesses. Building the financial capabilities of women and ensuring access to bank financing and equity financing by venture capitalists and angel investors is paramount to having more high growth entrepreneurship by women. Encouraging greater participation by women on the financing and investing side might also be an avenue worth pursuing. A growing number of angel groups, such as Golden Seeds, Astia Angels, and the Pipeline Fellowship, are targeting women to be investors in this space. More is needed to overcome the gender imbalance on the funding side.

Other steps can be taken to support high growth women's entrepreneurship so that we tap this greatly underutilized resource. There is a need to tackle a number of fronts: offering more opportunities in industry that will give them the experience needed to pursue entrepreneurship, more opportunities to learn about starting and growing businesses, exposure to successful female entrepreneurs who can share their stories and insights from their successes (and challenges). Family friendly policies that allow women the flexibility to work outside of their homes and schedule activities around family commitments might also encourage women to tackle higher growth opportunities.

Encouraging and facilitating team startups (men, women, and mixed) is another avenue to pursue. There are an increasing number of organizations and events such as Startup Weekend Women's edition, Startup Grind, Founder Fridays, and Co-Founder speed dating that are encouraging signs of meeting this need.

Programs that target high growth potential women-owned firms have also had some successes: Astia and Springboard Enterprises are two programs that have built successful track records in helping scale women-owned companies by providing them access to equity financing, as well as business mentorship and training. Clearly more of these types of programs are needed if we are going to truly move the needle on high growth women's entrepreneurship.

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Chapter 3

**LAUNCHING WOMEN-OWNED
BUSINESSES ON TO A HIGH GROWTH
TRAJECTORY***

Sharon Hadary

INTRODUCTION

This paper provides a foundation for the National Women's Business Council (NWBC) to develop and launch a major initiative targeted to helping women achieve high levels of business growth. NWBC is the single government organization that focuses exclusively on ensuring that this nation's economy realizes the full potential of one of its fastest growing segments – women-owned businesses. Integral to achieving this mission is to be a catalyst for women-owned businesses creating jobs and generating revenue.

This paper reviews the growth-trends of women-owned businesses, reports on what differentiates the women who own the largest, fastest growing businesses from those with smaller businesses, and concludes with a proposed strategic platform for action.

* This is an edited, reformatted and augmented version of a paper written for the National Women's Business Council, issued October 2010.

BACKGROUND

The phenomenal growth of women-owned businesses has been making headlines for 25 years. Women consistently have been launching businesses at nearly twice the rate of men. As important, their growth in employment and revenues has continued to outpace the economy.

Even as the nation's economic growth slowed, employment in women-owned firms continued to expand while men-owned firms were contracting.¹ Furthermore, projections indicate that the trend in employment growth among women-owned firms will continue. The Guardian Small Business Research Institute projects that women-owned businesses will create 5 to 5.5 million new jobs by 2018 – more than half the 9.7 million new small business jobs expected to be created and about one-third of the 15.3 million total new jobs anticipated by the Bureau of Labor Statistics by 2018.²

Women-owned businesses already are serious players in this nation's economy. An economic impact study conducted by the Center for Women's Business Research and the National Women's Business Council documented that majority women-owned firms today are driving more than 23 million jobs – both directly and indirectly.³

However, although the gap has been narrowing, women-owned businesses continue to lag men-owned businesses, and are under-represented in the top revenue categories. Only 3% of majority women-owned firms have revenues over \$1 million compared to 6% of majority men-owned businesses. As of 2008 – the latest year for which data are available – the average revenue of majority women-owned businesses is 27% of the average revenue of majority men-owned businesses.

Looking at the trends from a more positive perspective, a substantial number of women now own and lead businesses over a million dollars, and many of these businesses are multi-million dollar enterprises. The number of women-owned businesses with \$1 million or more in revenue grew 2,000% between 1977 and 2002. While the proportion of women-owned businesses over \$1 million (3%) may seem small, this translates into more than a quarter of a million women-owned enterprises. Further, 20% of all businesses over \$1 million are owned by women, and women-owned businesses are found at all levels of revenue. In fact, of the women-owned businesses over \$1 million, 35% are over \$5 million, 2% are over \$50 million, and a fair number have revenues over \$1 billion. A recent Kauffman Foundation publication reporting on a survey of high tech firms concluded that women and men entrepreneurs are equally likely to succeed given similar conditions. Clearly, the data

substantiate that women have the vision, capacity, and perseverance to build thriving companies.

This is a group of business owners that already is having a measureable impact on the nation's economic health. However, there is tremendous untapped and unrealized potential for these businesses to make an even greater contribution to the nation's economic health, particularly in the critical area of job creation.

Over the past quarter of a century, the world has changed for women business owners. Access to capital, access to markets, and access to networks of decision makers and experts have expanded dramatically thanks in great part to many dedicated leaders in business, government, and non-profit sectors. Today, women own businesses succeed in all industries, including those formerly considered "non-traditional" for women business owners – engineering, construction, manufacturing, wholesale distribution, and information technology. Women bring unique strengths women business owners – engineering, construction, manufacturing, wholesale distribution, and information technology. Women bring unique strengths to entrepreneurship, and there is evidence that women's leadership styles give them an edge in running successful businesses especially in today's time of turbulence and transformation.

So, what differentiates the women with the largest, fastest growing businesses from those with the smaller firms? What can we learn from these women with the more substantial enterprises that can help women who aspire to the same level of business achievement? To answer that question, this paper pulls together 20 years of research by the Center for Women's Business Research with thousands of women business owners, recent research from other sources, and the author's extensive experience with leading women business owners, bankers, Women's Business Centers and others who coach women business owners, and non-profit leaders of women business owner associations.

IT STARTS WITH GOALS

The value of setting high goals for growth is not just a motivational myth! Research shows that the only statistically significant predictor of business growth is not the industry, size of business or length of time in business. It is the entrepreneur's goal for growth.

We are not advocating that every woman should grow a large business. Indeed, the choice to grow the business large or keep it small is the entrepreneur's. However, it is critical for women to understand the implications of their future goals for business structure when establishing their business so they can make an informed decision about setting growth goals from the out-set and about laying the foundation for launching growth should they decide to do so.

The women with the most substantial businesses set high goals and when they achieve these goals, they ratchet up to an even higher level. In an informal survey of the 2010 Enterprising Women awardees, regardless of whether the business was at \$1 million or over \$25 million, the owners reported growth goals that equaled or exceeded their growth rate for the past five years.

Establishing high growth goals from the outset makes the business owner think differently about her business and drives decision making. The women with the faster growing businesses say they behaved as if they had \$1 million firms long before they achieved that level of revenue.

Women's growth goals are influenced by many factors including their reasons for starting a business. Research shows that women and men start businesses for different reasons. Men tend to start a business to be the boss and grow the business as large as possible; women start businesses to be personally challenged and to integrate personal and business goals.

Definitions of success also influence goals. Men tend to define success in monetary terms while for women, fulfilling a value-based vision and mission is at least as important and often more important than monetary goals. Many women business owners believe that they cannot both grow a business and fulfill their values-based goals. So, they often default to focusing on the mission rather than growth goals.

The most successful women business owners recognize that they can integrate profitability and wealth creation with values and mission. As one woman CEO with a multi-million dollar business said in an interview, "While I always expected to build a business that would be an institution, from the start, I also defined success in two ways: (1) by providing professionally meaningful jobs for people to help them find their voice through a rewarding career; and (2) by providing services to make a positive difference in other people's lives. More than 25 years later, these values still drive our business."

As we said, most men start businesses to be the boss and grow the business to be as large as possible. In contrast, almost two-thirds of women say their goal is to keep the company at a size where they personally can stay involved in product or service delivery to ensure the quality and customer service that is their critical market differentiator. When a woman thinks like this, she becomes the greatest barrier to her business' growth.

The women owners of the most substantial businesses recognize that they must make the transition from being the chief technical person to being the business leader. To preserve the quality of products and services, they create a culture that institutionalizes their values and expectations and build a team of top talent. They realize that others can deliver the services but that only they can take care of the health of the organization. They fall in love with running the business.

The mind-set of deferring establishing serious long-term growth goals until after the start-up phase of the business often is re-enforced by the training for new business owners. All too often, start-up training tends to ignore planning for future growth, focusing instead on business start-up planning, marketing advice, and personal budget planning to ensure the new entrepreneur has enough cash to carry her until the business gets going.

That lack of focus on future growth makes a huge difference. The woman business owner may not establish the necessary tools for tracking and analyzing financial information and business operations or invest in the technology that would facilitate future growth. So, if after a few years, the woman realizes she has a successful enterprise on her hands or her circumstances change and she wants to expand the business, she is unlikely to have the three to five years of financial records and projections that banks require to provide credit. In the end, she either delays growth or, more commonly, lowers her goals.

FOCUSING ON FINANCE AND USES OF CAPITAL IS VITAL

One of the key differentiators between the women with the most substantial businesses and those with smaller businesses is their attitude toward business finance and capital. Women business owners who are focused

on growth and expansion are more confident in their business skills, including planning, strategy, and finance than the women who are not expansion oriented. They are much more likely to embrace financial measurements as a major component of their business strategy. They produce more financial reports more often, review them regularly, and use them to drive business decisions.

While women who are focused on expansion are more likely than other women business owners to seek outside capital, overall, women tend to prefer to use business earnings rather than credit to invest in expansion. Even when we control for revenue, women business owners are less likely than men business owners to say they are using or intend to use either credit or equity products. Further, many view debt as “bad.” This restricts the amount of capital available for expansion and, therefore, inhibits growth potential.

This attitude toward using outside capital may be due, in part, to women’s lack of comfort with financial products and services. One of women’s strengths is building relationships, yet they seldom focus on building relationships with banks and bankers. Lack of relationships with banks and limited knowledge about financial products and services often creates a barrier to aggressively seeking expansion capital. The most successful women business owners have moved from seeing themselves as a supplicant in relation to the bank to viewing the banking relationship like any other business relationship. It is about getting to know the banks and bankers and finding the right one(s) for your business.

Many women business owners, especially those of color, believe they would not get credit even if they applied. So they don’t even bother to ask. When they do apply for credit, they are often cautious, asking for as little as possible. This only re-enforces the perception that they are not serious about growth.

Research shows that one of the most important determinants of whether a business owner will succeed in getting capital is sheer persistence. In general, over half of the women business owners who sought a line of credit or bank loan were successful. On average, it took those who were successful in obtaining capital four attempts to get a line of credit and 22 attempts to obtain equity investments. Most women business owners received the same amount of money they sought; but nearly a quarter (22%) actually received higher lines of credit than they requested.

METRICS ESTABLISH CREDIBILITY

The greatest potential for growth is in the business-to-business and business-to-government markets. Gaining access to these markets is critical to achieving business growth. However in both the corporate and government procurement programs many women business owners believe there is an unspoken perception that their companies do not have the capacity to perform and that holds back their ability to win those contracts.

In business, if you cannot measure it, it is not real. The women with the larger, faster growing businesses have developed the metrics that document their capabilities. Many have adopted commercially available standardized quality measurement processes. These are available for both product and service businesses. Industry associations also have widely recognized certifications or standardized quality related measurements that a company can adopt.

In addition to providing potential customers evidence of the company's capacity, these metrics provide the business owner with an excellent tool for tracking the business and evaluating processes and programs – adding to the strength of the business.

BELIEVE IN YOURSELF

Women are leading businesses differently and breaking new ground in product and service delivery. So it is not uncommon for there to be “nay-sayers” who tell them that their ideas won't work and their goals are unattainable.

A key characteristic of the women who lead the most substantial businesses is confidence in their ability to run the company, to seek capital and to act quickly. When asked what advice they would give to other women business owners, almost every one of the 2010 Enterprising Women honorees focused on believing in yourself, staying true to your vision and your dream, and not allowing others to tell you that you “can't.”

TAKE ADVANTAGE OF MULTIPLE NETWORKS

Networks are a vital source of business and industry knowledge, leads on contracts, and access to decision makers in finance, purchasing and the community. The Kauffman study of women and men entrepreneurs in high tech industries found that mentoring and well-developed professional networks were significantly more important to women than to men.

All too often women restrict their networking to women business owner groups or networks within their community. The women who own the larger, faster growing businesses belong to more organizations than do the women with the smaller businesses. It is not only about the number of organizations, but also about the diversity. They join multiple organizations, each with its own focus -- to gain industry knowledge, to make marketing contacts, to become active in the business and political communities, and to make financial contacts as well as maintaining their membership in key women's networks. Further, they use every network as an opportunity to learn from the experience of proven leaders.

Confounding the problem is women's lack of connections for credible introductions into industry associations, chambers of commerce, venture capital groups and other networks. Increasingly women business owner associations are helping to make those introductions.

The most successful women business owners say the best way to gain full advantage from organization membership is to take a leadership position. This provides access to the leaders and decision makers. In addition, it is imperative that as women move into the more "traditional" organizations that they create a critical mass of women members by reaching out to other women. Having a critical mass of women business owners in these networks helps women gain acceptance, credibility, and recognition.

CONCLUSION AND RECOMMENDATIONS

Women business owners have been a major force in economic recovery in the past, and there is much benefit in taking advantage of their resiliency. Our nation's recovery – indeed the global recovery – will not be about re-creating what we had before. Business models are shifting, values are becoming more aligned with women's values of collaboration and inclusion, and how we view ourselves is changing.

The challenge confronting the women's entrepreneurship community today is to help women business owners do more than plan for business growth as usual. We need to dramatically transform women's concepts of the future of their enterprises – to move them into a place where they have the vision and the confidence to catapult their businesses to a whole new level.

To do this, we have to show women how to embrace the break neck pace of change; to be trend-setters rather than simply reactors; to invest in what might be rather than what is; to innovate beyond expectations; and, to develop global integration. We need to help them identify ways to make their enterprises scalable and to build teams of talented people for where the enterprise should be in five years, not just today.

Research documents that women approach leadership with a different perspective than do men. As a result, they relate more easily to the experience of other women. We need to build on initiatives already underway in many parts of the women's entrepreneurship community to convert the experiences of women who have achieved high business growth into generalizable, practical learning programs that are available to every woman business owner aspiring to lead a flourishing enterprise of whatever size.

This is the next threshold for women-owned businesses – it is what will ensure that women achieve their full potential as business owners and that the U.S. economy fully benefits from these enterprising women leaders.

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End Notes

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ABOUT THE AUTHOR

Sharon Hadary, DBA, is the former and founding executive director of the Center for Women's Business Research. Today, as Principal of Sharon Hadary & Co, she is teaching leadership at the University of Maryland University College and speaking and writing nationally on women's leadership and entrepreneurship.

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