WOMEN-OWNED ENTERPRISES

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A BACKGROUND BRIEF FOR THE UN SECRETARY-GENERAL’S HIGH-LEVEL PANEL ON WOMEN’S ECONOMIC EMPOWERMENT
Entrepreneurs are critical to progress towards the Sustainable Development Goals (SDGs), as is enabling women to create and grow their own businesses. The focus of this brief is on women-owned enterprises, that is, the entrepreneurs who are running small and medium enterprises (SMEs) in the formal sector. Such entrepreneurs account for a small share of total employment around the world, less than 5%.\textsuperscript{1} This group differs from the self-employed and household enterprise owners who operate in the informal sector, and are covered in related briefs. Entrepreneurs are typically risk takers, who look for a market niche that they can fill through the production of goods or services that they sell to other businesses, government or directly to consumers.

1. **Size and nature of the gender gap**

Around the world, women are only slightly less likely to own a small or medium-sized enterprise as men, but their firms tend to be small – as can be seen in Figure 1.\textsuperscript{2} It is estimated that women own about 30% of micro firms (less than 5 employees) and around 1/3 of all small firms (5-49 employees), but only about one fourth of medium-sized firms in developing countries (50-250 employees), and only 10% of medium-sized firms in Sub-Saharan Africa. Since we also know that small and microenterprises are less profitable and more likely to fail, the gender gap in enterprise size is problematic.

**Figure 1: Distribution of Formal Firms by Gender and by Region**

![Distribution of Formal Firms by Gender and by Region](image)

Sectoral segregation characterizes the business space where women-owned enterprises operate. When women do create a firm they tend to cluster in sectors that are less profitable, such as retail, beauty and food service, mirroring the occupational segregation found in the workplace.\textsuperscript{3,3,4}

One way businesses grow is by participating in the global economy. What do we know about women-owned business and trade? Here data are scarce, though recent analysis across 20 countries found that far fewer women-owned businesses engage in export or importing.\textsuperscript{5} This is linked to smaller size, cultural and regulatory barriers, limited access to capital (finance and land), and lower access to information and networks.

Women are also excluded from large corporations. Few women are in top management positions such as CEO or CFO, even in OECD countries.\textsuperscript{6}

2. Diagnostics

Entrepreneurship - starting and growing a firm - faces a number of barriers around the world. While it is beyond the scope of this brief, to address all these constraints, which of course vary across countries and regions, these are important to note. The constraints can include macro-instability, which creates uncertainty for investors, and regulatory policies and rules which slow down or limit business, as documented in the World Bank’s Doing Business Indicators.\textsuperscript{7,8} Firms may lack the infrastructure – transport, energy and so on – to be able to operate efficiently at home and in markets abroad. Lack of demand and small domestic markets may also constrain activity and prospects, which is why exporting is important.\textsuperscript{8,9}

While female entrepreneurs are as likely as men to suffer these systemic constraints, they may be less likely to have the resources to overcome them. For example, there is evidence that difficulty in meeting government standards and complying with regulations, as well as the lengthy procedures involved, disproportionately affect smaller firms.\textsuperscript{10} Such firms are also less likely to have in-house capacity to deal with bureaucratic and legal issues. Because women-owned firms tend to be smaller, they are disproportionately affected by such regulations.\textsuperscript{11} Another example relates to difficulties getting goods in and out of the port. If women do not have the contacts needed “grease the wheels”, they will be at a competitive disadvantage.\textsuperscript{12}

There are also a series of factors that are more likely to limit women’s entrepreneurial activity. These tend to characterize both developed as well as developing countries.

• Fewer women overall are working, so there are fewer entrepreneurs; and among those in the labor force, many women work part-time, which may inhibit entrepreneurial activity and success.\textsuperscript{13}
• Childcare responsibilities are a major constraint on the time women
entrepreneurs can devote to their businesses. Time is especially important in the services sector where many women-owned enterprises operate.

- There is some evidence that women prefer to avoid risk, although it may be that women are prepared to tolerate different types of risk.  
- There is a lack of information and networks that would enable women to start a firm and/or find business partners.  
- Social norms limit entrepreneurial behavior by women. Where social norms limit women’s mobility outside the home, this obviously constrains entrepreneurial ventures. Attitudes toward women in business, by both men and women, may also be adverse – evidence from the World Values Survey reveals that in 16 out of 60 developed and developing countries with survey data, over 50% of women said they strongly agreed or agreed that on the whole, men make better business executives than women do. There is also some evidence that social norms may inhibit female entrepreneurs from firing staff when needed or other competitive behavior that successful male entrepreneurs grasp more easily.
- There is a lack of access to finance, through formal or informal channels. Micro and small women-owned firms are only half as likely as men-owned firms in developing countries to have a checking account – the stepping stone to a variety of other financial services – and women-owned medium-sized firms are even more disadvantaged (see financial inclusion brief, Klapper 2016). Access to finance has greater effects on capital-intensive activities.
- There are legal restrictions on property ownership. Most notably, legal barriers – including more limited ownership and property rights, restrictions on business registration and so on – limit women’s entrepreneurship in a number of countries.

At the same time, it is important to note that, controlling for amount of capital, women-owned enterprises achieve similar levels of productivity to their male counterparts in similar activities.

3. **Proven and promising actions**

Efforts to promote female entrepreneurship and the success of female-owned firms should include efforts to release systemic economic constraints to firm growth, as well as actions that are more specifically relevant to women.

- **Simplification and greater transparency of regulations and processes.** Evidence shows that measures that produce greater transparency of government processes, enable and support firms as well as improve economic prospects for all SMEs. Given time and mobility constraints as a result of household responsibilities, women are likely to benefit substantially from process simplification. In particular:
  - Tax simplification and simplification of the rules and regulations
governing trade help firms to grow.\textsuperscript{8,18} The two are related; trade has to be regulated and is usually taxed. Clear, simple and transparent regulations widely available at the border, including clarity on the required documents and appropriate fees and taxes, help all firms.

- Allowing documents to be obtained and submitted close to where women traders reside is of particular importance. This agenda is increasingly recognized, and advocated by such initiatives as the PLAGE (Policy Leadership and Advocacy for Gender Equality) project in West Africa.

✓ **Review trade policies to facilitate export opportunities.** Interventions that correct market failures such as information gaps and help SMEs overcome obstacles to exporting include quality standards, training, and inspections. These measures help overcome resistance in destination countries to new sources of supply.\textsuperscript{19} Evaluations have shown these efforts to be effective in expanding exports, although evidence on the performance of individual firms is less clear.\textsuperscript{18}

  - When these programs are initiated, governments should make efforts to reach out to women entrepreneurs, and when public programs for entrepreneurs such as trade promotion efforts are conducted, attention should be paid to the inclusion of women-owned businesses.

✓ **Targeted measures by governments to increase the participation of women-owned enterprises in international value chains.** A number of developing countries have enacted policies that encourage global firms to include women-owned firms in their value chains.

  - In Peru, the ITC supported project “Empowering Peruvian Women Business Enterprises” connects women-owned businesses in alpaca garments to the USA market. This involves Peru’s export promotion authority, external trade authorities, and the American Chamber of Commerce in Peru. Its main activity is training of women in market requirements, and included an export promotion event for women-owned businesses to connect to buyers.

  - The ACCESS! Export Training Programme has supported over 2,600 women entrepreneurs across 19 sub-Saharan countries since 2007. Over 70 expert trainers now are able to provide advisory services and mentoring to women entrepreneurs in export trade. ACCESS! provided capacity development to 20 national trade institutions.

  - The regional Programme for Building African Capacity for Trade also targets regional economic communities to support SMEs and women-owned enterprises, including advocacy and development services, public-private dialogue, and supporting networks.\textsuperscript{20}
Companies can aim to increase the share of trade and procurement with women-owned enterprises. Currently, for most large corporations, only 1% of their total global spending goes to women-owned businesses. A number of global firms are embarking on programs to include women, and are providing marketing support, skills enhancement, and other export readiness services. Large US companies such as Walmart, IBM and Sodexo are actively promoting supplier diversity and inclusion beyond the US. Governments can also increase their procurement from women-owned enterprises. In the US, women-owned enterprises only receive 10% of government procurement contracts (see pay brief).

Evidence demonstrates the potential win-win: a study by The Hackett Group found that companies with established supplier diversity programmes with SMEs and ethnic minority-controlled businesses generated 133% better return on their buying operations, and companies working with smaller and more diverse suppliers spent 20% less on their buying operations. 21 Large corporations, driven by business, community impact and reputational concerns, are increasingly focused on supplier diversity and inclusion as a business opportunity to engage more women-owned companies in both developed and developing countries, even without government mandates. 22

- WEConnect International was launched as a global non-profit in 2009 by large corporations seeking women suppliers, which today represent over US$1 trillion in annual purchasing power. It offers women business owners in over 100 countries access to markets and capacity building on how to sell into global value chains and scale operations. It applies universal standards to certify women’s business enterprises and includes them in a searchable database of women suppliers to enable buyers to find women suppliers and also meet their local or national content and supplier diversity and inclusion goals. 23

Skill building and other support services. Support programs targeting entrepreneurs have a long history. Most include some type of skill-building program (management, marketing or accounting skills, for example), in a classroom setting, sometimes combined with individual mentorship or consulting services for participating firms. Some programs add a financing component as well, through a guarantee scheme to lower risks to banks, or through an interest rate subsidy. Programs that combine a number of interventions are called “business development service (BDS)” programs.

Overall, general entrepreneurship education and training has a mixed record, although there have been few rigorous evaluations. 24 Most classroom-only programs do not show success in rigorous evaluations. 25, 26 The evidence suggests that combining skills training and access to credit is more successful
BDS programs which target experienced entrepreneurs, although expensive, have shown some success, in terms of increased revenues, profits and employment. However most programs do not target women and do not report participation or results by gender, so it is unclear how effective these programs have been in supporting female entrepreneurs.

For example:
- A program that provided Indian textile manufacturers with consulting services to upgrade their business practices throughout the firm (e.g., inventory management, marketing, human resource and payroll functions, manufacturing process management, etc.) led to higher revenues and profits, and many opened new plants, increasing employment.
- An intervention that subsidized management consultancy services for SMEs in Puebla, Mexico improved productivity 1-4 months after the end of the intervention (12-16 months from the beginning) and increased employment and payroll up to three years after the end of the intervention.

BDS programs targeted exclusively on female owners of SMEs have shown success as well. Corporations such as Accenture and EY have developed specific mentoring and training programs for women to enhance supplier potential in their value chains. The 10,000 women program initiated by the Goldman Sachs Foundation is another example. Launched in 2008, the program provides business education, access to mentors and networks, and links to capital for 10,000 underserved women in developing countries operating small businesses. The program is reporting a high degree of success, as most participants have increased revenues and profits.

In the 10,000 Women program, a primary need identified for women entrepreneurs was access to finance – 70% of the female SMEs were reportedly not able to acquire adequate funding, or in many cases, any funding at all. 10,000 Women and IFC launched the Women Entrepreneurs Opportunity Facility in 2014 with support from other investors, aiming to reach 100,000 women entrepreneurs. The Facility is managed by IFC and extends lines of credit and incentivizes banks in emerging markets to lend to women, and the IFC provides advisory services to banks with technical assistance to design better products specific to women. To date, the facility has catalyzed US$550 million in committed investments, reaching more than 25,000 women in 16 countries.

- Boot-camps, incubators (virtual and physical), and business competitions can help support women entrepreneurs to build networks and can provide positive role models.
InfoDev has a Women Entrepreneurs initiative to increase the visibility of highly successful women entrepreneurs globally. This includes an annual global competition for women entrepreneurs who have successfully grown their businesses, which is meant to collect success stories, facilitate interaction with investors, and inspire young female entrepreneurs.34

UNCTAD’s Empretec women in business supports “Start-up Weekends” for women entrepreneurs.35

The private sector should consider how technology can support women entrepreneurs. The digital and mobile telephone revolutions are already benefitting female entrepreneurs.

Internet platforms serve to equalize the playing field for women by reducing the importance of traditional relationships for both accessing suppliers and informing and reaching potential customers. For example, female entrepreneurs participate extensively in Alibaba’s platforms, and enterprises owned by women have more popular storefronts on Taobao, the EBay of China.

By reducing the costs for small account holders, mobile and internet banking are bringing female entrepreneurs into the formal finance system in developing countries, as documented in the digital brief. Financial services delivered through mobile phones are less costly and may be more effective than other delivery mechanisms in supporting women's enterprises and increasing women's business investments. M-Pesa is an example of a digital solution that enables access to financial services. In 2014, 51% of users on M-Pesa were women.36
ENDNOTES

11 De Haan, A. (2016). Enhancing the productivity of women-owned enterprises: Background paper for the UN High Level Panel on Women’s Economic Empowerment. UNHLP data base.
20 Pozarny (2016)


27 For example, the World Bank has invested about $3 billion per year in support to SMEs, yet a recent review of experience provided no gender-disaggregated data on either participation or performance. See (World Bank 2015).


31 The GSF has provided a $32 million anchor investment in order to catalyze capital from commercial investors and bilateral donors. The Facility seeks to bring in more investors to support the notion that women entrepreneurs are a bankable asset.

32 This can include, for example, collateral free loans or alternative forms of collateral.


