

Women's Enterprise and Business Support in the East Midlands

A report prepared for *emda*

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September 2005

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**WOMEN'S ENTERPRISE AND BUSINESS SUPPORT IN
THE EAST MIDLANDS**

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SUMMARY OF MAIN POINTS

- Although female entrepreneurship has been much discussed and debated in recent years, there are profound difficulties in defining what is meant by this concept. Because of loose operating definitions, there are difficulties in comparing numbers and trends over time and across borders.
- The comparatively large increase in women-owned businesses in the USA is, in part, a function of different operating definitions which enable majority women-owned businesses, and in some cases, equally co-owned businesses, to be counted as 'women-owned'. In the UK, a woman-owned business is usually defined as one that is wholly female owned.
- The vast majority of UK enterprises depend to some degree on female contributions, either as owners, managers or employees. Family-owned enterprises, in particular, are known to depend on an often unrecognized female contribution.
- There are strong similarities between the East Midlands and the UK as a whole, with regard to the profiles of female self-employment and women-owned businesses.
- In comparison with women business owners across the UK, those within the East Midlands are more likely to operate businesses in the manufacturing, personal services, and health and social work sectors. The higher levels of participation within manufacturing most likely reflect the regional industrial infrastructure.
- There are notable and marked differences between men and women with regard to the industrial and the occupational structure of the employed and the self-employed.

- Surveys consistently show gender differences with regard to reported business growth aspirations, with men more likely to express high growth goals, but no correlation between reported aspirations and actual achievement.
- Survey evidence suggests East Midlands women business owners are more likely to want their business to remain the same size and less likely to desire rapid growth than women business owners in the UK as a whole.

1. INTRODUCTION

This report contains a review and analysis of women's business ownership for the East Midlands Development Agency, commissioned in March 2005. The paper starts by reviewing the data sources on female entrepreneurship, highlighting the inherent difficulties of using national business datasets and in the approaches taken in defining women's business ownership. Following this, section two contains a review of the current state of knowledge regarding female entrepreneurs. This starts by describing the numbers and trends relating to women's business ownership in the UK and internationally. A brief overview of the academic research literature on female entrepreneurship includes a section relating to women's access to and usage of business finance, the dominant theme within the current research field. Data on women's business ownership that specifically relates to the East Midlands is scarce, and this paper addresses this scarcity by reporting evidence from the East Midlands derived from the Federation of Small Businesses biennial survey of its membership. The paper concludes by briefly discussing some of the issues relating to the specific policy requirements of women business owners and presenting a number of recommendations for policy intervention at the regional level.

2. DATA SOURCES ON FEMALE ENTREPRENEURSHIP

In recent years there has been a widespread perception of substantial growth in the number of women entrepreneurs in the UK, a view that has been largely influenced both by the wide range of policy measures, such as the 2003 Small Business Service Strategic Framework for Women's Enterprise, introduced to stimulate female entrepreneurship and by popular and media interest in the issue. The statistical

evidence to support this claim, however, is paltry and beset with ambiguity and confusion. This section of the report discusses the difficulties in defining and measuring female entrepreneurship, and outlines some of the main sources of evidence relating to the numbers and trends of female entrepreneurs in the UK and in the East Midlands.

Female entrepreneurship is a term frequently used to describe business ownership by women. As the major UK business datasets, such as VAT data and the IDBR dataset, are not disaggregated by gender there are no robust data sources on female business ownership. Data is generally drawn from a combination of sources, primarily the Labour Force Survey which provides self-employment data by gender, supplemented by commissioned surveys, ad hoc studies and anecdotal evidence.

While there have been many requests for gender disaggregated data from the national business datasets, there are obvious difficulties. The main problem lies in defining what constitutes a female-owned business. Different definitions abound. In the USA, for example, the term women-owned business includes businesses solely owned by a woman or women, businesses that are majority (>51%) owned by a woman or women and also businesses that are owned equally (50 / 50) by women and men. The US Census adopts the more cautious definition of sole or majority female ownership, while the National Women's Business Council and the Center for Women's Business Research, the main US advocacy and support organizations, also include equal female and male co-ownership. In the UK, researchers have conventionally applied a fairly rigorous definition that a female-owned business is one that is wholly owned by a woman or women. While this appears virtuous, it derives from an entirely practical

consideration. It is widely appreciated that most enterprises depend to some extent on female participation either as an owner, a partner or a provider of labour to a family owned enterprise. Defining women-owned businesses as those that are wholly female owned and managed enables researchers to more easily distinguish them from the mass of businesses that are merely reliant on women's active participation. This definition may assist the practical aspects of operationalization, but it clearly fails to reflect the real participation of women that is apparent in the vast majority of British enterprises.

At the outset, therefore, the concept of women's enterprise is clearly problematic. Not only do definitions of female business ownership vary substantially, the paucity of gender disaggregated data adds further complexity to the task of enumeration. For this paper, data on the numbers and trends relating to women enterprise is drawn from the Labour Force Survey and supplemented by evidence from the national Census 2001 and a range of commissioned studies and academic papers. As much of the evidence relating to women owned businesses has emanated from the USA, international comparisons are drawn at relevant points throughout the paper.

3. WOMEN OWNED BUSINESSES: THE CURRENT STATE OF KNOWLEDGE

3.1 Women Owned Businesses: Numbers and Trends

Data from the Labour Force Survey (2005) shows that the number of self-employed women in the UK is currently 966,000 (Winter 04/05), accounting for 7.3% of women

in employment. This can be compared with the number of self-employed men in the UK which is currently 2,658,000 (Winter 04/05), accounting for 17.2% of men in employment (Table 1). Of the total self-employed population of 3,624,000, male self-employment accounts for 73.3% and female self-employment accounts for 26.6%. Regional differences in the proportion of self-employed individuals are also shown in Table 1. Among male self-employment, the UK average of 17.2% differs at the regional level from 24.2% in Northern Ireland to 11.9% in the North East. Male self-employment in the East Midlands (17.2%) replicates the UK average. Among female self-employment, the UK average of 7.3% differs at the regional level from 9.4% in London to 4.1% in the North East. Female self-employment in the East Midlands (7.0%) is very slightly below the UK average of 7.3%.

Table 1 Male and Female Self-employment in UK Regions (Winter 2004/5)

Region	Male s/e (000s)	Male s/e %	*Change	Female s/e (000)	Female s/e %	*Change
UK	2658	17.2	-24	966	7.3	16
England	2269	17.4	-19	839	7.5	15
North East	71	11.9	-3	22	4.1	-1
North West	265	15.6	0	101	6.7	19
York/Humber	196	15.4	5	62	5.6	-5
E. Midlands	195	17.2	19	67	7.0	1
W. Midlands	214	15.6	2	77	6.7	10
East	267	17.8	-28	92	7.4	-1
London	378	19.3	-15	150	9.4	-17
South East	425	19.3	-5	165	8.8	12
South West	259	19.6	8	102	8.9	-3
Wales	120	17.2	-1	41	6.4	-8
Scotland	169	13.2	-9	65	5.6	5
N. Ireland	98	24.2	5	20	5.8	2

Source: ONS Labour Force Survey Quarterly Supplement April 2005, No.29.

*Change (000) Winter 03/04 – Winter 04/05

Table 1 also shows the change in the number of self-employed people in the 12-month period between winter 2003/04 to winter 2004/05. Across the UK, male self-

employment declined by a total of 24,000 people, while female self-employment increased by a total of 16,000 people within this period. Within the East Midlands, male self-employment increased by 19,000 and female self-employment increased by 1,000 during the same period. Growth in the absolute numbers of self-employed people was seen mainly in the East Midlands (for men) and within the North West and West Midlands (for women).

Historical evidence from the Labour Force Survey demonstrates that, while there has been substantial growth in the overall self-employed population, the female share has remained relatively stable over the past twenty years (Labour Force Survey, various years; Lindsay and Macaulay, 2004). Since 1992, there has been a growth in the number of self-employed women in the UK, from 899,000 in 1992 (Q1) to 962,000 in 2004 (Q1), an increase of 6.5%. The female share of self-employment, 26% in 1992 and 26.7% in 2004, has fluctuated modestly, but has remained more or less unchanged over this period. Indeed, the last major shift in the female share of self-employment was in 1984, when the female share of self-employment increased from 18% to 24%, a consequence of the large-scale expansion of women in the labour force and resulting adjustments to the Labour Force Survey sample base (Brooksbank, 2000). The proportion of economically active women in self-employment (7.2%) has also remained more or less static over the period from 1992-2004.

The 2001 Census provides more detail of the self-employed population, differentiating between those with and without employees. As Table 2 shows, the total economically active population for the East Midlands is calculated as 2,026,209, of which 1,110,655 (54.8%) are male and 915,554 (45.1%) are female. This gender ratio

replicates that of England as a whole. The total self-employed population of the East Midlands is 233,026, of which 73.0% is male and 26.9% is female. This gender ratio also replicates that within England as a whole.

In total, 170,181 East Midlands males are self-employed, representing 15.3% of male economic activity within the region. Most male self-employment within the region is undertaken on a full-time basis (86.7%) and just under two-thirds operate without employees (62.4%). In comparison with England as a whole, male self-employment in the East Midlands accounts for a slightly lower proportion of male economic activity (15.3%, compared with 16.6% in England). As Table 2 shows, male self-employment within the region is very slightly lower than across England as a whole, with regard to all four categories of male self-employment (with and without employees, part-time and full-time).

In total, 62,845 East Midlands females are self-employed, representing 6.8% of female economic activity within the region. Just over half (52.2%) of female self-employment within the region is undertaken on a full-time basis, and just under two-thirds (61.2%) operate without employees. In comparison with England as a whole, female self-employment in the East Midlands accounts for a slightly lower proportion of female economic activity (6.8%, compared with 7.3% in England). In comparison with England, there is a very slightly high proportion of part-time self-employed women with employees, and very slightly lower proportions of full-time and part-time self-employed women without employees within the East Midlands.

Table 2 Self-Employed (With/Without Employees) by Gender

	England	Economic Activity	E. Midlands	Economic Activity
TOTAL (ALL)	35,532,091	% Total	3,020,753	% Total
Total Econ Active	23,756,707	100	2,026,209	100
Employed P/T	4,196,041	17.6	379,158	18.7
Employed F/T	14,499,241	61.0	1,240,351	61.2
Self-Empl P/T + Employees	151,575	0.6	12,608	0.6
Self-Empl F/T + Employees	898,248	3.7	75,601	3.7
Self-Empl P/T - Employees	542,458	2.2	40,007	1.9
Self-Empl F/T - Employees	1,362,707	5.7	104,810	5.1
MALES (ALL)	17,489,977	% Males	1,499,122	% Males
Total Econ Active	12,969,059	100	1,110,655	100
Employed P/T	588,867	4.5	48,731	4.3
Employed F/T	9,055,504	69.8	796,573	71.7
Self-Empl P/T + Employees	56,094	0.4	4,178	0.3
Self-Empl F/T + Employees	714,641	5.5	59,657	5.3
Self-Empl P/T - Employees	255,864	1.9	18,403	1.6
Self-Empl F/T - Employees	1,132,633	8.7	87,943	7.9
FEMALES (ALL)	18,042,114	% Females	1,521,631	% Females
Total Econ Active	10,787,648	100	915,554	100
Employed P/T	3,607,174	33.4	330,427	36.0
Employed F/T	5,443,737	50.4	443,778	48.4
Self-Empl P/T + Employees	95,481	0.8	8,430	0.9
Self-Empl F/T + Employees	183,607	1.7	15,944	1.7
Self-Empl P/T - Employees	286,594	2.6	21,604	2.3
Self-Empl F/T - Employees	230,074	2.1	16,867	1.8

Source: ONS 2001 Census Standard Tables, Nomis 5th September 2005

Table 3 provides details of the types of occupations undertaken by the employed and self-employed populations, drawn from the Labour Force Survey (2005). The table shows the predominance of female self-employment within four main categories: managers and senior officials (22.1%), associate professional and technical (19.6%), personal services (18.1%) and professional occupations (11.8%). In contrast, the bulk of male self-employment is within the skilled trades (39.4%), managers and senior officials (16.3%), associate professional and technical (13.5%) and professional occupations (13.1%).

Table 3 Self-employed Men and Women by Occupation

Standard Occupational Classification	Employees All	Men	Women	S/Empl All	Men	Women
Managers & Senior Officials	14.5	18.9	10.0	17.9	16.3	22.1
Professional Occupations	12.5	13.6	11.3	12.7	13.1	11.8
Associate Professional & Technical	13.8	13.2	14.4	15.2	13.5	19.6
Admin & Secretarial	14.0	5.4	22.7	3.2	0.7	9.9
Skilled Trades	8.7	15.6	1.7	30.5	39.4	6.5
Personal Services	8.0	2.5	13.7	5.5	0.9	18.1
Sales & Customer Services	8.9	5.2	12.6	2.1	1.4	3.7
Process, Plant & Machine Operatives	7.3	12.4	2.1	7.9	9.6	3.1
Elementary Occupations	12.3	13.2	11.5	5.1	5.1	5.1
All (thousands)	24729	12630	12099	3624	2658	966

Source: ONS Labour Force Survey Winter 2004/05, Table 17

The Labour Force Survey also provides some insight into the gender differences with regard to the time spent on employment and self-employment (Table 4). The bulk of self-employment (77.1%) is undertaken on a full-time basis. Men comprise 82.6% and women comprise 17.3% of the full-time self-employed. In contrast, although only 22.8% of self-employment is undertaken on a part-time basis, men comprise 41.4% and women comprise 58.5% of part-time self-employment (ONS Labour Force Survey, 2005). While some argue that entry into self-employment is motivated by the advantages of part-time and flexible working, data from the Labour Force Survey provides less support than expected for this view. The proportion of full-time employment is 74.5% (compared with 77.1% of self-employment), and the proportion of part-time employment is 25.4% (compared with 22.8% of self-employment). Women comprise 38.0% of full-time employees (compared with 17.3% of full-time self-employment) and 80.2% of part-time employees (compared with 58.5% of part-time self-employment). A clearer picture emerges using numbers rather than percentages. These reveal that that more women work on a full-time basis (7,034,000)

than on a part-time basis (5,062,000). More women are in employment (either full-time or part-time) (12,096,000) than in self-employment (either full-time or part-time) (974,000). And, that an equal number of self-employed women operate on a full-time basis (487,000) as on a part-time (487,000).

Table 4 Full-time and Part-time Employment and Self-employment by Sex

Employment Status	Number (000)	% by full-time / part-time	% by gender
Full-time employees	18468	74.5	
Men	11433		61.9
Women	7034		38.0
Part-time employees	6304	25.4	
Men	1241		19.6
Women	5062		80.2
TOTAL EMPLOYMENT	24772	100.0	
Full-time self-employment	2806	77.1	
Men	2319		82.6
Women	487		17.3
Part-time self-employment	832	22.8	
Men	345		41.4
Women	487		58.5
TOTAL SELF-EMPLOYMENT	3638	100.0	

Source: ONS Labour Force Survey Winter 2004/05, Table 12a

Clearly, self-employment data does not fully account for business ownership and can be regarded only as a proxy measure. Not all business owners are self-employed, and not all of the self-employed can be regarded as business owners. In the absence of gender disaggregated data from the national business datasets (IDBR, VAT statistics etc), researchers generally rely on survey evidence for details of numbers and trends relating to women-owned businesses. One of the largest non-governmental surveys of small business owners in the UK is the Federation of Small Businesses (FSB) biennial survey of its membership, last conducted in 2004 with responses from 18,635 business owners. This study reported that about 15% of respondents claimed that their businesses are wholly women-owned, 50% are wholly male-owned and 35% are co-

owned by males and females (Carter, Mason and Tagg, 2004). This proportion of female ownership replicates that reported by the FSB in its two earlier studies conducted in 2002 (Carter et al, 2002) and 2000 (Carter et al, 2000). This data can be compared with that reported by the Small Business Service Annual Small Business Survey (2003), which found that 12.3% of small businesses were majority women managed, 50.9% were majority male managed, while “the rest had women among their directors, but not in a majority” (Atkinson and Hurstfield, 2003: 5). The Small Business Service Household Survey of Entrepreneurship (2003) reported that 16% of women, compared with 31% of men, were either involved in entrepreneurial activity or to be thinking about it (Small Business Service, 2004). The Global Entrepreneurship Monitor (GEM) UK report provides a measure of Total Entrepreneurial Activity (TEA), which for women across the UK, and within the East Midlands, was found to be 3.8% of the total working age female population (Harding and Cowling, 2004).

3.2 International Comparisons

The proportion of self-employed women in the UK is broadly comparable with other Northern European countries. Across the EU(15) the average level of self-employment in industry and services, as a percentage of total employment, is 15.5% for men and 8% for women (Franco and Winqvist, 2002). Using EU data, self-employment in the UK is slightly below this average (14% male, 6% female) and much lower than in the highest countries of Greece (31% male, 16% female), Italy (26% male, 15% female) and Portugal (20% male and 13% female). Franco and Winqvist (2002) also point to differences in the business sectors in which female and

male self-employment is most commonly found: more female (30%) than male (23%) self-employment is within the retail and distribution sectors, while more male (30%) than female (13%) self-employment is within the “industry and construction” sectors. Overall, however, there are fewer self-employed women than self-employed men across all business sectors and in all age groups. In addition, while the male and female self-employed population within the EU has similar levels of education, self-employed females are more likely to operate smaller enterprises (Franco and Winqvist, 2002).

The numbers and trends relating to female self-employment in the UK and EU contrast with the remarkable increase in female entrepreneurship which has occurred in the USA. Using the broadest definition of women-owned businesses, it is estimated that there are currently 10.6 million women-owned firms, accounting for 48% of all privately held firms in the USA. The number of women owned businesses in the USA has expanded much more rapidly than in almost any other country. Between 1997 and 2004, the estimated growth in the number of women-owned firms (17%) was nearly twice that of all firms (9%) and the number of women owned firms with employees grew by 28%, three times the growth rate of all firms with employees (Center for Women’s Business Research, 2005). Using the more precise definition of women-owned businesses that includes only those that are majority (>51%) woman owned, still demonstrates the outstanding success of female entrepreneurship in the USA. Businesses that are majority owned (>51%) by women comprise 63% of ‘women-owned businesses’, a total of 6.7 million firms that collectively employ 9.8 million people and generate \$1.2 trillion in sales (Center for Women’s Business Research, 2005; National Women’s Business Council, 2004). More accurate international

comparisons can be drawn using self-employment data from the US Bureau of Labor Statistics. In 2002, the total US self-employed population was 8,490,000 (6.4% of total employment). Of this, male self-employment accounted for 5,124,000 (7.3% total male employment) and female self-employment accounted for 3,366,000 (5.4% total female employment). While male self-employment still accounts for the largest proportion of the self-employed total (60.3%), the female share of self-employment, which currently accounts for 39.6% of the total, has shown consistent yearly increases over the past thirty years (US Bureau of Labor Statistics, 2005).

Two interesting and apparently contradictory points can be drawn by comparing the UK and US data on female self-employment. Firstly, the female share of self-employment in the USA has increased consistently, albeit modestly, every year for the past thirty years and can be considered a long term trend. This contrasts with the UK where the female share of self-employment has been more or less static, at around 26% - 27% for the past twenty years. This level of self-employment share last occurred in the USA in 1976, when women constituted 26.8% of total US self-employment. Secondly, despite consistent increases in the USA and static levels in the UK with regard to the female share of self-employment, female self-employment as a proportion of total female employment is slightly higher in the UK (7%) than in the USA (5.4%).

3.3 Women Entrepreneurs: The Research Evidence

The relatively low levels of female self-employment and business ownership in the UK have been explained by the overall position of women within the labour market (Marlow, 1997; Shaw et al, 2001). Women's employment is largely concentrated in the retail and services sectors, particularly in non-manual administration and junior managerial positions (Marlow and Carter, 2004). While a growing number of women are apparent within the professions, such as medicine, law and accountancy, women are still under-represented in senior management (Equal Opportunities Commission, 2001). Only 7% of FTSE board directors are female and 39 of the top 100 FTSE companies do not have any female directors (Small Business Service, 2003). Although there is some evidence that the pay-gap is narrowing, women in full-time employment earn, on average, only 82% of that earned by their male counterparts, while women in part-time employment earn just 60% of that earned by their male counterparts (Equal Opportunities Commission, 2004). Research suggests that not only are women less likely to become self-employed, their experience of business ownership differs substantially from that of men; most female self-employment is confined to traditionally female occupational sectors, such as education, health, finance and business services; more than half of self-employed women work part-time (less than thirty hours per week); and over a third of women, compared with 12% of men, use their home as a business base (Shaw et al, 2001; Marlow 1997; Small Business Service, 2003; Carter, Mason and Tagg, 2004).

Most research on women's business ownership has, however, focused on describing the motivations and experiences of female entrepreneurs, and has largely avoided any theoretical and practical engagement with feminist economic critiques. Indeed, until

the mid 1980s, little was known about the female entrepreneur. Influenced by the existing small business literature, early studies of female entrepreneurship concentrated mainly upon the motivations for business start up (Schreier, 1973; Schwartz, 1976; Goffee and Scase, 1985; Hisrich and Brush, 1986) and, to a lesser extent, the gender-related barriers experienced during this phase of business ownership (Watkins and Watkins, 1984; Hisrich and Brush, 1986; Carter and Cannon, 1988). In Europe, researchers focused their attention on trying to establish links between motivations for female self-employment and the overall position of women in the labour market (Goffee and Scase, 1985; van der Wees and Romijn, 1987). Overall, these studies presented a *prima facie* picture of businesswomen with more similarities than differences to their male counterparts. Like men, the most frequently cited reason for starting in business was the search for independence and control over one's destiny. The greatest barriers to business formation and success were mobilising start up resources and in particular, access to capital. Differences were seen in the relative youth of women business owners, women's propensity to start businesses in retailing and services industries, women's lack of prior work experience, training and business experience, and women's desire to start businesses as a means of circumventing the 'glass ceiling'.

Few of these early studies developed sophisticated taxonomies, preferring to identify female proprietors as a homogenous group, and there was an implicit acceptance by researchers that, beyond the start-up phase, few significant differences existed between male and female owned and managed companies (Shane et al, 1991; Kolvereid et al, 1993; Shabbir and Di Gregorio, 1996). Descriptive accounts of the characteristics and motivations of women in business and their experiences of

business ownership, particularly at start-up, still comprise a substantial volume of the research literature. However, greater methodological sophistication has developed, as have a number of more specialist themes, for example, considering the effect of gender on business finance which has become the predominant theme within the contemporary research literature (Brush et al, 2001). A summary of the main themes and sub-themes which have been explored within the female entrepreneurship research literature is presented in Appendix One.

Studies exploring business start-up have considered whether the barriers encountered by women have a long term and negative effect on business performance, or whether constraints dissipate after start-up has been successfully negotiated (Hisrich and Brush 1986; Watson, 2002). Most studies conclude that the start-up processes used by women tend to be slower and the incubation period for new businesses longer, but that the structures of businesses used by women are generally similar to that of men (Carter et al, 1997; Fasci and Valdez, 1998). The analysis of the acquisition and mobilisation of resources at start-up has shown the greatest differences between women and men. Overall, the majority of studies show that women find it more difficult to access resources (finance, human and social capital) than do men and this leads many women to start businesses that are under-resourced (Brush 1992, 1997; Brush et al, 2001). The effect of under-resourcing on long-term business performance is an important research theme. Although the research evidence is ambiguous, a growing number of studies suggest that start-up constraints have a long-term effect on business performance. The smaller size of women's businesses and the lack of high growth performance are often seen as a direct result of constraints experienced at start-up. The effect of gender on both the experience of self-employment and the

performance of the business has been the subject of more considered investigation. Large-scale and quantitative analysis from the UK has suggested that gender is an important, but not the sole explanatory factor, in differences observed between women and men owned firms (Rosa et al, 1996).

3.3.1 The Financing of Women-owned Businesses

The financing of female owned businesses has become the central theme of the research literature. As a distinct research area and one that has become increasingly relevant to both the research, policy and banking communities the main studies and findings related to women's access to and usage of entrepreneurial finance are outlined in this sub-section. Following initial work by Buttner and Rosen (1989) and Riding and Swift (1990) in North America and Fay and Williams (1993) in New Zealand, researchers have consistently highlighted differences in the financing patterns of male-owned and female-owned businesses (Brush, 1992; Coleman, 2000; Brush et al, 2001). Women-owned businesses tend to start-up with lower levels of overall capitalization (Carter and Rosa, 1998), lower ratios of debt finance (Haines et al, 1999) and much less likelihood of using private equity or venture capital (Brush et al, 2001).

Several studies have attributed gender-based differences in finance usage to the structural dissimilarities between male and female owned businesses (Read, 1998). In a large scale survey analyzing bank loan files, Haines et al (1999) found initial differences between male and female entrepreneurs (lower sales levels and liabilities,

lower levels of salary and drawings), to be a product of business size, age and sector. Fabowale et al (1995), similarly, argued that structural factors accounted for differences in rates of loan rejections between male and female entrepreneurs. Examining 282 matched pairs of male and female business owners, McKechnie et al (1998) found few substantial differences once structural factors had been taken into account, but a greater dissatisfaction among women entrepreneurs with regard to their treatment by bank lenders. Evidence from other studies has been less conclusive. A survey of 2000 Dutch entrepreneurs (Verheul and Thurik, 2000) found that most differences in the use of starting capital by male and female entrepreneurs were explained by 'indirect' effects (size, age, sector etc); however, some 'direct' gender effects survived.

In the absence of evidence of systematic gender discrimination, researchers have suggested that differences in patterns of finance usage may be explained by the practices of individual lending officers or through the use of application procedures that inadvertently disadvantage women business owners. Buttner and Rosen (1988: 249), for example, reported that perceptions held by bank loan officers of the characteristics of successful entrepreneurs were "more commonly ascribed to men than women." Fay and Williams (1993: 304) concluded that their study "demonstrate[d] experimentally that some loan officers do employ differing evaluative criteria for female and male applicants, and that these differences in evaluative criteria may act to female disadvantage." Orser and Foster (1994:16) suggested that the supposedly 'objective' 5Cs model of bank lending (character, capacity, capital, collateral and conditions) were applied in a 'subjective' manner to the detriment of female entrepreneurs. Coleman (2000) found women less likely to

use bank debt, attributing this to the lower average size of women owned businesses. Rather than discriminating against women, Coleman (2000: 49) concluded that bankers “discriminate on the basis of firm size, preferring to lend to larger and, one would assume, more established firms. This preference may put women at a disadvantage given that they are half the size of men-owned firms on average.”

A focus on supply-side discrimination has been countered by evidence of demand-side risk and debt aversion. A lower preference for risk among women has been a recurrent finding of comparative analyses of male and female entrepreneurs (Sexton and Bowman-Upton, 1990; Watson and Robinson, 2003). The greater risk aversion of women is seen not only in their reluctance to assume the burden of business debt, but also within their reluctance to engage in fast-paced business growth (Cliff, 1998; Bird and Brush, 2002). Debt aversion among women entrepreneurs, often conceptualized as a quasi-psychological characteristic, is as likely to be rooted in socio-economic factors: women’s comparatively lower earnings in employment (EOC, 2005) are reproduced among the self-employed (Marlow, 1997; Parker, 2004).

Overall, the weight of research evidence considering gender, entrepreneurship and bank lending suggests that while the bank financing profiles of male and female entrepreneurs are distinctly different, much – but not all - is attributable to structural dissimilarities. The research evidence also suggests that while women entrepreneurs perceive that they are treated differently by bank lending officers (Fabowale et al, 1995), there is almost no evidence of systematic gender discrimination by banks. Indeed, there is a growing recognition that women entrepreneurs constitute an important new market for banks, and it is difficult to argue that it is within the banks’

interest to deliberately, much less systematically, exclude this growing market. The debate has continued largely because of dissatisfaction with existing explanations, coupled with the methodological difficulties facing researchers in providing clear and unequivocal evidence (Mahot, 1997; Haines et al, 1999). While entrepreneurship researchers continue to debate the extent and causes of the gender, entrepreneurship and bank finance nexus, feminist analyses may provide new insights. In a review of the entrepreneurship research literature, Mirchandani (1999) points to the essentialism inherent in the construction of the ‘female entrepreneur’ category and stresses that gender should not be seen simply as a characteristic of individuals, but as a process integral to business ownership, a critique developed by Ahl (2002) and Bird and Brush (2002). As Mirchandani (1999: 230) argued, the practice of statistically equalizing structural dissimilarities between men and women in order to explain gender differences in bank borrowing, suggest that “it is business structure rather than gender that is the prime determinant of access to credit.” In other words, gender differences do not exist in the space that is left once structural factors, such as business sector, age and size, have been controlled, but in the very aspects of business ownership that lead individuals to operate businesses in specific sectors, at specific times and in specific sizes.

3.4 Women-owned Businesses in the East Midlands

While the international research evidence provides an insight into the general experiences of female entrepreneurs, greater insight into women-owned businesses in the East Midlands can be gained by examining regional level data. The difficulties in

using the national business datasets for this purpose were outlined in Section 2 of this report. As a consequence, survey data of women owned businesses in the East Midlands is used here. The data is derived from the Federation of Small Businesses biennial survey of its membership, conducted by Strathclyde University and reported in Carter, Mason and Tagg (2004). The study reported data from 18,635 respondents, one of the largest business surveys conducted in the UK. The full report contains detailed comparisons between the respondents and the known characteristics of the UK SME population, demonstrating its robustness and reliability. The East Midlands component of the study consisted of 1,590 responses, of which 824 (51.8%) were from male-owned businesses, 195 (12.3%) were from female-owned businesses and 571 (35.9%) were from male and female co-owned businesses.

The data below (and on Table 5) summarises the main descriptive results relating to the differences between women-owned businesses in the East Midlands and their counterparts across the UK and between female-owned businesses and other male-owned and co-owned businesses in the East Midlands. Note that the definition of women-owned businesses used here is a business wholly owned by a woman or women; male-owned businesses are those wholly owned by a man or men; while co-owned businesses are those owned equally by men and women, usually as a family owned enterprise.

Women owned businesses in the UK have generally been found to be younger than those operated by men. The FSB data demonstrates a linear relationship between gender and age of business, with fewer women-owned businesses apparent as years in business increase. In comparison with women-owned businesses across the UK, there

are fewer East Midlands women-owned businesses in the youngest (0-3 year category), although this group is still the largest, and more in the oldest (11-20 and 21-30 year categories). The distinctive trend towards younger businesses among women is seen by comparing the years in business of East Midlands' women with those of East Midlands' men: 32% of women but only 22% of men have started in business within the previous three years. With regard to the age of the business owner, East Midlands' women business owners are more or less on a par with UK women. Slightly more East Midlands' women are in the younger age group (22-34 years) and the oldest age group (65+ years), but slightly fewer are in the 55-64 year age category. In contrast, the number of East Midlands' male business owners increases in every age band until retirement age, and the largest gender difference can be seen in the 55-64 year age category which contains 19% of women and 31% of men.

In comparison with UK women-owned businesses, East Midlands' women are more likely to operate Limited Companies, and slightly less likely to operate Partnerships or be Sole Traders. Comparing East Midlands' women-owned and men-owned businesses, it is clear that men are much more likely to operate Limited Companies. The proportion of VAT registered enterprises among East Midlands' women-owned businesses (64%) is on a par with that of women-owned businesses across the UK (63%), but distinctly lower than the proportion of men-owned enterprises in the East Midlands (81%). Over a quarter (27%) of East Midlands' women business owners operate their business from their home, a figure slightly below UK women's average (28%) and slightly higher than East Midlands' male business owners (23%). Across the UK, 57% of women business owners operate only from external premises and 15% use both external premises and their home. In comparison, slightly fewer East

Midlands' women business owners operate from external premises (55%) and slightly more operate from a combination of external premises and home (18%). Many men also operate their businesses from their homes (23%) but more operate from external premises (64%).

Just under a quarter (22%) of women business owners in the East Midlands stated that they shared ownership of the business with their spouse, a figure very close to the UK women's average (23%), but twice the level of men business owners in the East Midlands (11%). Given that respondents had already specified that the business was either wholly female or wholly male owned, this is a rather interesting variable. It suggests that even in businesses that are rigorously defined as single-sex owned, the connections between the business and the family remain very strong. Slightly fewer women shared the management of the business with their spouse (19% across the UK, 20% in East Midlands). However, the number of East Midlands' men who shared the management of the business was twice as large (21%) as those who stated that they shared the ownership of the business with their spouse (11%).

The majority of women business owners in the East Midlands (73%) entered into business by starting from scratch, a very similar proportion to women across the UK (74%). East Midlands' men were slightly more likely to start from scratch (78%), and much less likely to buy a going concern (9%). In contrast, nearly twice as many women (17%) in the East Midlands (and across the UK, 17%) entered business by buying a going concern. Very few business owners inherit their business, but this appears to be more prevalent for women (5%) and men (6%) in the East Midlands than for women across the UK (3%).

The main sectors in which women operate businesses in the East Midlands are presented in Table 5. Four sectors (retail, wholesale and motor trades; personal services; business services; and manufacturing) account for a large proportion of female business activity in the East Midlands. In comparison with women across the UK, East Midlands' women business owners are more likely to operate in the manufacturing sector (10%, compared with 6% across the UK), in personal services (16%, compared with 5% across the UK), and health and social work (8%, compared with 5% across the UK). The four sectors that account for a large proportion of male business activity in the East Midlands are retail, wholesale and motor trades; manufacturing; business services and construction. In comparison with East Midlands' men, women in the region are more likely to operate in retail, wholesale and motor trades (29% women, 21% men), hotels and restaurants (8% women, 3% men), health and social work (8% women, 1% men) and personal services (16% women, 1% men). As expected, fewer women than men operate in either construction (3% women, 13% men) or manufacturing (10% women, 15% men).

The main competitive strengths of women-owned businesses in the East Midlands are their reputation (84%), customer service (82%) and product / service quality (79%). In comparison with women-owned businesses across the UK, East Midlands' women were slightly more likely to rate all nine competitive factors as being business strengths. Larger differences were seen between women-owned and men-owned businesses in the East Midlands. In comparison with men, women were more likely to rate reputation, customer service, product / service quality, specialized expertise, quality of staff, selling price and flair and creativity as being competitive business

strengths. No differences were seen in the rankings given by men and women business owners with regard to their costs and distribution channels.

Businesses owned by women in the East Midlands' were slightly less likely to report a sales turnover in the under £25,000 category and more likely to report a turnover between £25,000 and £50,000, in comparison with women business owners across the UK. Much larger differences were seen between women-owned and men-owned businesses within the East Midlands. Only 22% of East Midlands' men reported a sales turnover of less than £50,000, compared with 36% of East Midlands' women and 24% of East Midlands' men reported a sales turnover between £50,000 and over £5 million, compared with 11% of East Midlands' women. In comparison with women business owners across the UK, East Midlands' women were more likely to report that their sales volume had gone up in the previous financial year (29%, compared with 25% across the UK). In comparison with East Midlands' men, fewer East Midlands' women reported that their sales turnover had either gone down or gone down slightly (19% women, compared with 24% East Midlands' men). With regard to their profitability, 28% of East Midlands' women business owners reported that their profits were lower than in the previous financial year. This is a higher proportion than the 25% of women business owners across the UK who reported reduced profits, but on a par with male business owners in the East Midlands.

Table 5 also includes data regarding the employment profile of women business owners in the East Midlands. In total, the 195 East Midlands' women business owners employed 623 full-time, 413 part-time and 156 casual and seasonal workers. Averaged across the businesses, mean employment equalled 3.19 full-time, 2.11 part-

time and 0.8 casual / seasonal jobs. In comparison with women-owned businesses across the UK, East Midlands' women employed slightly fewer full-time staff (mean 3.19, compared with mean 3.32 across the UK) and casual / seasonal staff (mean 0.8, compared with 1.32 across the UK), and slightly more part-time staff (mean 2.11, compared with 1.89 across the UK). Much higher levels of employment were seen within the East Midlands' men-owned businesses. The 824 East Midlands' men business owners employed a total of 4595 full-time, 1539 part-time and 905 seasonal workers. Averaged across the sample, mean employment in East Midlands men-owned businesses equalled 5.57 full-time, 1.86 part-time and 1.09 casual / seasonal workers. East Midlands' women business owners and men business owners reported employment increases in all three employment categories over the past two years. Among East Midlands' women, mean full-time employment increased from 2.62 to 3.19, and among East Midlands' men, mean full-time employment increased from 4.74 to 5.57.

The two-year business objective of women business owners in the East Midlands favoured either moderate expansion (48%) or remaining about the same size (28%). In comparison with women business owners across the UK, East Midlands' women were more likely to want to remain the same size (28% East Midlands' women, compared with 23% across the UK) and less likely to want to grow moderately (48% East Midlands' women, compared with 52% across the UK) or rapidly (5% East Midlands' women, compared with 7% across the UK). In comparison with East Midlands' men, women in the region are much less likely to have an objective of rapid expansion (5% women, compared with 10% men).

Table 5 Selected Indicators of Women-owned Businesses in the East Midlands

	UK Women	EM Women	EM Men	EM Co-owned
Years in business	N=2698 %	N=195 %	N=824 %	N=571 %
0-3	35	32	22	23
4-5	21	16	17	16
6-10	17	18	17	18
11-20	15	19	19	20
21-30	7	9	15	13
Legal form				
Limited company	34	38	44	59
Sole Trader	51	50	44	4
Partnership	14	10	10	35
Vat Registered				
Yes	63	64	81	87
No	32	30	16	10
Exempt	5	5	3	2
Age of owner				
Under 21	1	2	1	1
22-34	12	14	9	7
35-44	26	23	24	24
45-54	34	35	30	32
55-64	22	19	31	29
65+	4	6	5	7
Business Premises				
Your Home	28	27	23	18
External Premises	57	55	64	65
Both home and External	15	18	13	17
Family co-ownership				
Spouse	23	22	11	77
Children	5	4	4	9
Parents	2	4	3	4
Siblings	2	2	4	3
Family co-management				
Spouse	19	20	21	33
Children	7	9	7	13
Parents	2	0	2	2
Siblings	2	1	2	1
Business Entry				
Started from scratch	74	73	78	72
Management buy-out	2	1	3	2
Bought going concern	17	17	9	14
Inherited	3	5	6	6
Main Business Strength				
Selling price	38	42	38	38
Product/service quality	78	79	76	76
Specialized expertise	65	69	66	64
Flair & creativity	46	44	33	37
Distribution channels	12	14	14	15
Customer service	79	82	75	74
Costs	24	29	28	29
Quality of staff	63	67	58	62
Reputation	82	84	80	81

Table 5 (cont'd) Selected Indicators of Women-owned Businesses in the East Midlands

	UK Women	EM Women	EM Men	EM Co-owned
Main Sectors	%	%	%	%
Manufacturing	6	10	15	13
Construction	4	3	13	8
Retail, Wholesale, Motor	28	29	21	23
Hotels & Restaurants	9	8	3	8
Transport & Commun.	2	2	5	5
Financial Services	3	2	5	2
Business Services	15	13	15	17
Education	4	3	1	2
Health, Social Work	5	8	1	1
Personal Services	5	16	1	1
Sales Turnover				
Less than £25,000	17	15	7	4
£25,000 - £50,000	18	21	15	8
£50,000 - £100,000	17	17	16	15
£100,000 - £500,000	32	31	34	43
£500,000 - £1 million	6	7	13	16
£1million - £5 million	4	4	10	9
Over £5 million	0	0	1	1
Last Year Sales Trends				
Gone down	9	9	11	12
Gone down slightly	11	10	13	13
Stayed the same	15	17	17	16
Gone up slightly	34	32	29	34
Gone up	25	29	27	21
Last Year Profits				
Gone down	11	13	13	13
Gone down slightly	14	15	15	15
Stayed the same	20	17	20	23
Gone up slightly	33	33	31	28
Gone up	17	17	18	16
Business Objective				
Close down business	2	3	2	2
Sell business	8	9	6	7
Downsize, consolidate	3	3	3	3
Remain same size	23	28	27	27
Expand moderately	52	48	45	46
Expand rapidly	7	5	10	9
Employment	Sum	Sum	Sum	Sum
Full-time present	8959	623	4595	3199
Part-time present	5110	413	1539	1350
Casual present	3574	156	905	1183
Full-time 2 years ago	7111	512	3908	2727
Part-time 2 years ago	3779	335	1186	925
Casual 2 years ago	2834	139	597	1030

4. POLICY IMPLICATIONS

From the descriptive data reported above, it is clear that the characteristics of women-owned businesses in the East Midlands closely replicate those of women-owned businesses across the UK. Certainly, the data appears to show greater similarities between women-owned businesses in the East Midlands and other women-owned businesses across the UK, than between East Midlands' women-owned and men-owned businesses. Given this, it is difficult to argue that the policies required in support of women business owners in the East Midlands should differ substantially from those offered across the UK.

Policy support for women's business ownership is predicated on two factors. Firstly, despite long standing legislation designed to eliminate sex discrimination and unequal pay, the labour market experiences of women differ from those of men. These differences are manifested in many ways including the sectors in which women are concentrated, the managerial levels that women achieve and the remuneration they receive. While there is a common perception that the status of women in the labour market has improved in recent years, research has consistently demonstrated that inequalities remain (EOC, 2004, 2005). The distinctive experiences of men and women in the labour market are clearly replicated among the self-employed and business owners: many women starting in business simply exchange low pay in employment for low profits in self-employment (Marlow, 1997). The persistence of labour market inequalities means that women, relative to men, do not have the resources, the experience or the contacts needed to start and sustain a business. For this reason, support designed and targeted for women is needed. Secondly, policy support for women's enterprise can be successful. Government support for businesses

that is targeted on the basis of gender is no different to any other form of business support that aims to create a level playing field. It has also been demonstrated that public sector support targeted at women-owned businesses is successful in increasing both the numbers of start-ups and the long-term growth potential of women's businesses. The experience of the United States Office for Women's Business Ownership, a permanent office created within the US Small Business Administration, illustrates the type of success that could be emulated in the UK.

A recurring debate within the women's enterprise sector is whether separate single-sex enterprise training and business support should be given at the point of delivery. Many women entrepreneurs resent single sex provision, while others have reported the benefits of women-only training and support. The arguments favouring single-sex provision are concentrated around three issues: women's businesses are concentrated in sectors that are often not discussed fully within mainstream provision; women tend to finance their businesses differently and, given the adverse performance impact of under-financing, may require specific training and advice to help in this regard; women have relatively poor networking contacts and experience and therefore need specific attention on this issue. Critics argue against separate provision, citing both the unpopularity of single-sex provision and the benefits of mainstream provision for women business owners. The advice of many leading experts on women's enterprise is that the debate is not about 'either or', but that there is a requirement for both mainstream and single-sex support.

5. STRATEGIC RECOMMENDATIONS

The DTI Small Business Service ‘Strategic Framework for Women’s Enterprise’, published in 2003, sets out a number of recommendations to assist the development of women’s enterprise. In addition, the Treasury have recently outlined their desire to expand the number of women entrepreneurs in the UK, and have set targets to increase the number of women-owned businesses from 15% to 20%. Both have implications at the regional level.

Regional Business Support for Women The SBS Strategic Framework specifies that the key to effective support for women’s enterprise will be to positively influence the quality of mainstream support services and to ensure that, where appropriate, women can access a more targeted approach. The research evidence reported in this paper demonstrates that projects to improve women’s experiences of small business clearly need to become a regional priority. Often, economic development officers working to support women’s enterprise have been disadvantaged by focusing on women’s issues. Ensuring that these professionals are well-rewarded for their work provides an important signal that women’s enterprise is a regional priority.

Regional Access to Finance There is a need to rethink traditional ways of assessing the suitability of those seeking finance for small businesses. Research which has exposed the difficulties which many women experience in raising external finance has led to a number of new financial schemes and products being introduced. For example, traditional credit scoring mechanisms may disadvantage women with a less detailed and more fragmented financial track record. As a consequence, pilot local group-lending schemes for women have already been established in the UK. Micro-

credit programmes provide a central loan fund which micro-credit groups decide how to allocate. In addition to loan access, micro-credit programmes provide a peer mentoring environment for their members, while other benefits include idea generation, networking and access to business training. The take-up of programmes such as these has sometimes proved disappointing. Clearly, there is a need for women-owned businesses to develop the capacity to benefit from these initiatives, and there may be a role in assisting women-owned businesses to become more investment-ready.

Access to growth capital is also a major issue for women entrepreneurs, and given the relatively high proportion of manufacturing enterprises owned by women in the East Midlands, a regional priority. Research has shown that women have little experience or knowledge of the range of informal investment sources available within the UK. The percentage of venture capital for women-owned enterprises, for example, is too small to measure. An important source of growth finance comes from business angels. Only a tiny proportion of these are female, and there is a need for policy to encourage more women angel organizations and to encourage existing angel networks to invest in women-owned businesses.

Increasing the Number of Women-owned Businesses The Treasury call for an increase in the number of women-owned businesses poses particular challenges for regional development agencies. Many programmes and policies have been introduced over the past twenty years in an attempt to increase the number of women entrepreneurs, yet there has been very little change in the female share of self-employment. As this report outlines, the number of women-owned businesses in the UK is very difficult to

measure given the lack of gender disaggregation in national business datasets. However, the onus is on regional agencies to demonstrate improvement in the number of women-owned businesses. There appear to be two different ways of improving the number of women-owned businesses at the regional level. Firstly, agencies can continue to provide enterprise training and business support to women with the intention of encouraging women into business. This has been the preferred method over many years. Secondly, agencies can change their working definition of women-owned businesses to include businesses that are both wholly women owned and majority women owned. This will result in a large increase in the number of women-owned business in the region. While this definitional change appears superficial, there are important benefits. Data on women-owned businesses in the region will be internationally comparable with the USA, a country where the high rates of female business ownership have drawn accolades. More importantly, the emphasis on advocacy in the USA is itself believed to have influenced rates of women's business ownership. Awareness of positive messages about women's business ownership, including high growth rates, is believed to have led more women into enterprise. The two approaches are not exclusive and it is recommended that both are instigated within the East Midlands.

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Appendix One

Overview of the Research Literature on Female Entrepreneurship

MAIN THEMES	SUB THEMES
Characteristics and Motivations of Women Entrepreneurs	<i>Differences in psychological characteristics between women and men</i>
	<i>Social background and business differences between women and men</i>
	<i>The effect of the labour market / glass ceiling on women's decision to start in business</i>
Start-Up: Patterns, Resources and Constraints	<i>Motivations, processes and structures used at start-up</i>
	<i>Resource acquisition and mobilisation: including finance, social and human capital. Resource lack: including credibility and track record</i>
	<i>The effect of start-up barriers on incubation, start-up and long-term business performance</i>
	<i>Programmes and policies to foster women entrepreneurs</i>
Management of Female Owned Firms	<i>Women's management style and approach to leadership</i>
	<i>The business-family nexus Copreneurship</i>
	<i>The effect on gender on business performance</i>
Finance and Related Issues	<i>Access to start-up finance</i>
	<i>Guarantees on loans and external finance</i>
	<i>Access to growth and on-going finance</i>
	<i>Relationship with external lenders and women's credibility</i>
Business Networks	<i>Gender differences in the types of networks created</i>
	<i>Gender differences in network content, i.e. the uses made of networks</i>
Business Performance and Growth	<i>Gender differences in criteria used to assess business performance</i>
	<i>Gender differences in actual business performance</i>

Source: Carter, Anderson and Shaw (2001)