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The Changing Landscape of Female Self-employment

Principal Topic

Two factors have influenced the entrepreneurship agenda in the UK during the past ten years; the government focus on entrepreneurship and innovation as a tool for wealth creation and more recently the economic recession. In response to these changes this study was carried out in order to gain a better understanding of the current attitudes and motivations of women who are self-employed in the UK. We examine their experience of self-employment and entrepreneurship and discuss the challenges they encounter.

Method

One thousand self-employed women were surveyed to find out their views on self-employment and entrepreneurship. Some of these women were working alone, some worked in partnership and some employed other people. Participants were sent a semi-structured questionnaire which asked about their motivations for pursuing this career option, how they started their venture and their experiences. The final part of the questionnaire asked the respondents about their challenges and any help they require. The questionnaire reflected current research on female entrepreneurship.

The questionnaire was administered by email; data was collected using a convenience sampling method. The data base was provided by Ipsos Mori. The respondents all run their own ventures, they come from all over the UK; from all backgrounds and range in age from sixteen to sixty four. Our sample comprised: 22% who were under thirty-five; 25% who were thirty five to forty-four; 31% between forty-five and fifty-four and 22% over fifty-four.

Results and Implications

Family entrepreneurial role models influenced 61% of the women in this study were twenty-four or under whilst only 24% of those who were fifty-one or over had role models. Fathers were more likely to be entrepreneurial role models than mothers for all age groups.

Over one third of the respondents had started a business to improve their flexibility or work life balance. However of those who said they started a venture to make more money 35% were under thirty-five. Given that the under thirty-fives make up 22% of our sample population it is interesting to note that this same group account for 35% of those starting a venture to make money.

Another interesting finding is that those who were forty or under are more likely to consider themselves as entrepreneurs than those who were older. Furthermore nearly a half of those under thirty five said they had known they always would have their own business, this reduced to just over 21% for those who were fifty-five or over. Both of these findings may be a result of the successful portrayal of entrepreneurs in the media and the government thrust to encourage people to consider entrepreneurship as a viable career option.

Introduction

This study provides a snapshot of the views and experiences of women who run businesses in the UK today. One thousand self-employed women were surveyed to find out their views on self-employment and entrepreneurship. Some of these women were working alone, some worked in partnership and some employed other people.

Participants were sent a semi structured questionnaire which asked about their motivations for pursuing this career option, how they started their venture and their experience of being self-employed. The final part of the questionnaire asked the respondents about their suggestions for how women who wish to embrace entrepreneurship and self-employment could be supported.

In this report we first discuss some of our findings about this group of women. We proceed to examine their inspirations and their motivations. We move on to explore their experience of self-employment and entrepreneurship and finally we explore how more women could be encouraged to embrace the entrepreneurial challenge.

Methodology

Our data collection was administered by Ipsos Mori who have a huge database of the UK population. It was collected using a convenience sampling method. The respondents are all self-employed women. They come from all over the UK; from all backgrounds and range in age from sixteen to sixty four. Our sample comprised: 22% who were under thirty-five; 25% who were thirty five to forty-four; 31% between forty-five and fifty-four and 22% over fifty-four.

The Findings

Background

Prior to beginning their career in self-employment these women were employed in a variety of sectors but particularly the service sector, both public and private. The businesses they have started are also predominantly in the service and retail sectors. The vast majority run their ventures from home. These findings are echoed by most research studies.

The Gem Report (2010) on female entrepreneurship suggests there is likely to be a higher concentration of women in the service industries and retailing. The Gem 2010 findings are confirmed by other research which states that female entrepreneurship is confined to traditionally female occupational sectors, such as retailing and low-order services; much is undertaken in a part-time capacity and more women than men use their home as a business base (Small Business Service, 2003; Marlow and Carter 2004).

Most of the women in this study were well equipped to run their ventures in terms of prior experience, with 59% starting a business in an area in which they had formally studied or had previously worked. A further 31% had started their venture in an area which was a hobby. Only 17% had started a business in an area in which they had no experience.

Researchers such as Brereton & Jones (2001) suggest prior industry experience helps the new business founder to establish both personal and business networks, providing valuable information, access to resources and increasing commercial awareness.

The current economic climate has resulted in job losses and a recent news report (BBC News 14th March 2012) suggests that women are working longer hours to ensure they retain their jobs. The report suggests there are also more women unemployed than two years ago. This might lead us to think that more of our respondents had started ventures in the last two years than in the years preceding the down turn. The results of this study do not show any evidence of an increase in the numbers of women turning to self-employment. This would appear to be surprising however there is a lot of research which suggests women are more risk adverse than men (Watson, 2006) so it may be the case that women are concerned that if they start a business during a recession it is less likely to succeed.

Inspiration to start a Business

Over the past few decades the UK has found itself unable to compete in traditional occupations such as manufacturing; global competition means that labour costs are much cheaper in Asia, hence a shift in the manufacturing base. This has resulted in the UK moving towards a knowledge based economy with much of our employment being based around technology. It has also tried to follow the example of the US, where entrepreneurship accounts for 80% of new jobs created and is a driving force for innovation.

In consequence, the past decade has seen the UK government focus on self-employment and entrepreneurship as the way to create new opportunities and wealth. Entrepreneurship is now taught in schools and both university staff and students have access to entrepreneurship teaching and mentoring. In many cases Universities have funds set aside for the creation of new ventures that seem to have growth potential. There are a plethora of business plan competitions and many hopeful student entrepreneurs. Social and community enterprises have also gained in prominence.

We now see examples of successful entrepreneurs in the media, and entrepreneurs are almost seen as heroes. On most days you can find a story about an entrepreneur in one of the daily papers. This has not always been the case, certainly fifteen years ago it would be rare to find newspapers regularly portraying entrepreneurs.

Much has been written about role models as a way to encourage individuals to embrace self-employment and entrepreneurship. McClelland (1969) talks about how culture and role models can stimulate entrepreneurship. Lucas and Cooper (2004) suggest individuals are more likely to believe they can be entrepreneurs if they have access to a combination of inspirational role models, mentoring and advice, training and opportunities to practice entrepreneurship.

Role models can include parents, grandparents other members of the family or friends who have their own business. Having the opportunity to be involved in a family business can also encourage individuals to embrace entrepreneurship. So what was the experience of the women in this study?

Overall 60% of the respondents said that whilst they were growing up they did not have any role models who ran their own business. This also meant that they would not have enjoyed the opportunity to work in the business and learn more about entrepreneurship.

However if we examine these figures more deeply we find an interesting split. 61% of the women in this study who are between eighteen and twenty-four were influenced by role models who ran their own business whilst only 24% of those who are fifty-one or

over were exposed to the influence of role models. Fathers were more likely to be role models than mothers for all age groups.

Another interesting finding is that those who are forty or under are more likely to consider themselves as entrepreneurs than those who are older.

Younger people were also more likely to say they had always thought they would run their own business. Nearly a half of those under thirty five who were running their business said they had known they always would have their own business, this reduced to just over 21% for those who are fifty-five or over.

These results are very interesting and suggest that young women are more likely to embrace entrepreneurship as a career option and embark on this career trajectory from the outset. If these young women create ventures that grow and employ people this has a very positive impact on the UK economy.

Our government's investment in entrepreneurship seems to have paid off and the push to make entrepreneurship more popular is working. Clearly young people are taking up the challenge.

Motivations for Starting

Motivations for starting a business are well documented (Hisrich et al, 2002). They may include: the desire to follow a passion, the need for independence or autonomy, the desire for status or self fulfillment and the desire to give back (Carter & Cannon, 1992; Alstete, 2002). Orhan and Scott, (2001) also found women start ventures because they feel they can make a difference to society.

A further motivation for women is the desire for flexibility. Self-employment or business ownership allows them to combine employment with family responsibilities (Belle and La Valle, 2003; Baines et al, 2003; Greer and Greene, 2003; Marlow and Carter, 2004; Williams, 2004). Some studies such as that of Fielden et al (2003) have gone as far as to suggest that for some women the only way to have a career and manage family commitments is to take the self-employment or business start-up route.

The main motivation for starting a business for more than one third of the respondents in this study was the flexibility it brought. Sixty per cent of women in this study were mothers but only half of the respondents had children living at home so although it would be natural to assume that the desire for flexibility is linked to family demands this may not necessarily be the case. On the other hand women still spend more time on home commitments than men; they are also often involved in the care of grand children or elderly parents.

Of those who said they started a venture to make more money 35% were under thirty-five. Given that the under thirty-fives make up 22% of our sample population it is interesting to note that this same group account for 35% of those starting a venture to make money. This may be a result of the successful portrayal of entrepreneurs in the media and the government thrust to encourage people to consider entrepreneurship as a viable career option.

Another interesting finding was that of those who had started a business to fulfill a dream or a passion 52% were under thirty-five. We have already noted that the under thirty-fives make up 22% of our sample population so this group is over represented. This could be linked to the rise in awareness and popularity of social and community enterprises and the benefits they can bring to others.

Negative factors motivating individuals to take the plunge into entrepreneurship include: necessity, redundancy, unemployment and frustration with their previous employer or career (Orhan and Scott, 2001; Alstete, 2002). However for this group redundancy was not a significant factor despite the recession.

Business Creation

Two very important themes relating to the business start up process emerged from the qualitative data that was collected from our participants. The first was about fear of starting. The second was about the importance of carrying out very thorough market research.

Fear of failure is a well known concept within the entrepreneurship literature and it is one factor which prevents many people embarking on a career in self-employment and entrepreneurship (Gem 2010). Women are risk adverse (as has been discussed in this paper) so fear of failure can be a particular problem for them. Whilst much has been done to increase the entrepreneurial confidence of young people through various government initiatives, there is still a need to help the rest of the population. Mentoring, coaching and access to training are all ways in which women can be supported to increase their confidence and overcome fear of failure

Most women talked about the importance of carrying out extensive market research before starting up. This is positive in that a business is more likely to succeed if it is based on a real customer need. Women also talked about the value of customers and the importance of retaining them.

The majority of women in this study had started their ventures with their own savings or with funds that were from the immediate family. A few of those who had built larger businesses had sourced bank loans or business angel investment. This research finding is in line with the findings of Marlow and Carter (2005) which suggested that female debt aversion is a main contributor to the differing financial capitalization patterns of male and female ventures.

The qualitative data that was collected suggested women are risk adverse in terms of borrowing money. Other UK studies have found that women were concerned that ventures should not in any way put at risk family finances and would need to be self-sustaining (Small Business Service, 2005). This does mean that growth is slower in many female owned businesses but a cautious approach to growth may not be a bad thing in terms of business sustainability: indeed over 50% of the women in this study had owned their ventures for more than five years.

Another predominant theme in the qualitative research is the need to get advice before starting a business. Many had taken advice from friends and family. Very few women had received any business start up training and yet over a quarter thought this would be very beneficial.

Only 17% of the respondents in this study had support from a business network and less than one per cent had a business coach or mentor and yet 14% thought this would

be a great help. There is a certain amount of research which suggests that men use formal business networks and women are more likely to use informal family networks. This research suggests that both are of value, however in terms of business survival and growth, seeing an accountant regularly is of most value (Watson, 2011).

A small percentage of the respondents in this study talked about the importance of consulting an accountant regularly but only three percent said they turned to their accountant when they needed business advice. Given the benefits of seeking advice this is disappointing. They may be unwilling to visit their accountant because of worry about the cost or because they feel the business is too small but this might be one important area to flag up to women.

Rewards of running your own Business

The respondents in this study enjoyed most the flexibility of being their own boss; nearly sixty per cent stated this as the most enjoyable part of self-employment.

This was constant across all ages. Whilst flexibility is a major benefit of self employment it is not to be confused with working fewer hours. In fact a recent study by Carter and Shaw (2006) of women who are self-employed suggested that regardless of whether they are full or part time those who are self-employed work longer hours than those who are employed. Indeed a quarter of those in this study worked 21-30 hours, a quarter 31-40 hours and a quarter 41 hours or over.

Together with flexibility the respondents valued the independence and freedom of being their own boss and the pride they felt in their achievements. This was closely followed by feeling fulfilled. It is interesting to note that very few said they were running their venture for money or respect from others or to spend more time with the family.

Growing the Business

Respondents were asked what they thought was the most important factor in building their business. The replies differed depending on the age of the respondents; 27% of those who were twenty four or under and 24% of those aged twenty five to thirty four relied on family support whereas only 8% of those over fifty-five relied on family support. Respondents who were thirty five or older were more likely to cite hard work as the most important factor in their business success. Another important factor stated by thirteen per cent of women was prior industry experience. This was constant across all age ranges.

A significant number of those in this study intend to grow their business. Whilst 38% overall said they will grow their venture, those who were younger were more optimistic with 52% of those under thirty-five believing they would, reducing to 21% of those fifty-five and over.

At first glance it seems surprising that so many of those over fifty five wish to grow their business but there may be a number of reasons for this and they are all important.

A recent study by Logan (2012) found that some women in their fifties embrace entrepreneurship when their children leave home. Having given much of their life to their family they decide to do something for themselves and starting their own business is seen as a way to facilitate this. Many of these women are keen to create something new and see it flourish.

Another important factor is our aging population. Currently one in six people in the UK are over sixty-five. By 2031, the average age of the population will climb from 39 to 44 (www.statistics.gov.uk 2007). In future people will live longer, be more active for longer and will need to generate an income if they are to have a reasonable quality of life. However many women have very little in terms of pension provision and running a small business might be one way to supplement a pension. Indeed this study only covered those aged 18 – 64 but there is evidence that there has been an increase in the numbers of people aged 65 and over who are continuing to work, particularly part time (Office of National Statistics; 2012). A recent report on working women (Future Foundation: April 2012) suggests that 68% of working women expect to have to work for longer than the state pension age in order to fund their retirement. Another report suggests that by 2020 over one those currently employed will run their own part time ventures to fund retirement (Future Foundation December 2011).

Given these statistics it might not be unreasonable to suggest that perhaps some of the women in this study are growing their ventures to help fund their retirement.

Factors to Encourage Female Entrepreneurship

We asked our respondents how other women might be encouraged to embrace self-employment and entrepreneurship and how they might be supported on their journey. The top four suggestions were: the need for more role models in the media, more mentors, more business start up courses and more access to finance.

There have been various training initiatives aimed at women over the last decade but we must question how effective they have been if so few women have received any training. Female mentors may be quite difficult to find but if there were more who were willing to support new would be entrepreneurs this could be extremely beneficial both in terms of overcoming the initial fear of failure (which does prevent some women from starting) and in providing guidance and encouragement for those who wish to grow their ventures.

Not only did the respondents want to see more female role models in the media, they wanted more examples of women running successful part time ventures. Women over forty suggested there should be more examples of older women running businesses.

Many women felt the language and image of entrepreneurship was quite masculine. Furthermore most of the respondents did not think of themselves as entrepreneurs, and some of those who were very successful, employing others did not like the label. Indeed programmes such as The Apprentice and Dragon's Den promote the idea that entrepreneurship is all about making a lot of money but for the women in this study the desire to make money was not the primary reason for starting a company. The desire for flexibility and a good work-life balance or the desire to realize a personal dream is more important than the need to make a living. Entrepreneurs are not just people who make lots of money; some are running very successful social enterprises such as the Big Issue or Heaven Chocolate. Others are making innovative changes in all aspects of society e.g. Andrew Lloyd Webber has markedly changed the music industry. The image and lexicon of entrepreneurship needs to be changed so that it is a more inclusive concept.

A further reason for some successful business owners not wishing to call themselves entrepreneurs is that they consider entrepreneurs to be innovators. As a rallying cry or remedy for the UK's 'problems' this focus may be useful but it may discourage women who think their ideas are not novel enough when they may have much to contribute to the vitality of the UK economy. A successful idea is often a simple solution that fills a gap.

Finally a word on access to finance; there is no evidence of discrimination by the banks towards women entrepreneurs. However as we have already mentioned there is a growing body of evidence which suggests that many women choose to start their

business with reduced financial debt; demand-side debt aversion is seen in women's reluctance both to assume the burden of business debt and to engage in fast-paced business growth (Cater and Shaw 2006; Watson:2006). Never the less it may be hard for young women to access finance because they already have student debt and do not have collateral. This may also be why so many young women said their families were their main source of support.

In Conclusion

The women in this study show self employment and entrepreneurship can be a rewarding experience. They realize it is not an easy option but are committed to working hard in order to

succeed. They are cautious about borrowing money, seeking to grow their ventures slowly but they are making a good contribution to society. They realize that other women would like to take the plunge but may be held back, particularly by fear of failure.

Their advice to other women is:

- Be brave
- Choose an area of the market you enjoy and know a bit about
- Research it thoroughly
- Get as much advice as possible
- Work hard
- Go for it, believe in yourself

The younger women in our study show the investment over the last fifteen years that we have seen in the entrepreneurship agenda by our successive governments is working. We can see that young women are much more likely to have access to role models and much more likely to choose entrepreneurship as a career option from the beginning of their careers. They are also much more likely to be interested in starting a business to make money or to help others (the social enterprise).

Our results suggest this group is most interested in growing their businesses. They were also the group who suggested women would benefit from increased access to finance; this might suggest they are less risk adverse than older women and that they want to create businesses that require investment to grow.

The insights our respondents have shared with us provide guidance as to how we can increase the number of women entrepreneurs. Whilst not every woman will want to become self-employed, the entrepreneurial spark is present in many women we must encourage and nurture it. Our respondents said access to business training would really help. Business start up training should be well promoted, readily available and open to all. The recent training initiatives for the young which have included meeting guest entrepreneurs, preparing business plans and running a business for a short time, have worked well in raising their entrepreneurial confidence. Could this training be replicated for more, and older, women in the UK?

Along with training there is almost certainly a need to set up a scheme which provides mentoring. Successful female entrepreneurs who understand the needs and aspirations of women could be encouraged to become involved in coaching and mentoring those starting up. If this mentoring was extended to those who are keen to grow their ventures this might have very positive benefits for the UK.

We also need to initiate a campaign to make entrepreneurship inclusive. Profile a wider range of female role models in the media and change the terminology used. Another very practical suggestion is to encourage more use of technology platforms to facilitate entrepreneurship for those who may need to work mainly at home.

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