

Institution: University of Strathclyde
Unit of Assessment: 9 Business and Management Studies
Title of case study: The Role of Women Entrepreneurs in UK Economic Development
<p>1. Summary of the impact</p> <p>Strathclyde research demonstrates that women entrepreneurs make an important contribution to economic development, but are disadvantaged by under-capitalization at start-up. Working with UK and devolved governments, leading banks and finance institutions, and regional enterprise support organizations, the researchers have stimulated and influenced the framing of policy debate; helped shape policy with regard to the participation of women entrepreneurs in economic growth; improved our understanding of factors underpinning access to finance opportunities for diverse enterprises; and influenced the work of business support organizations and commercial banks.</p>
<p>2. Underpinning research</p> <p>Context: While the under-representation of women in enterprise is an international concern, relative to other high income countries, particularly the US, female business ownership rates in the UK are persistently low. Carter's first study of female entrepreneurship, funded by the Department of Employment in 1987, highlighted the low levels of self-employment among women and their distinctive experience of starting businesses. In a study commissioned by the DTI, Carter et al. (2001) highlighted the growing international interest in this issue and the various policy measures designed to increase rates of female business ownership. A second study for the DTI by Carter & Shaw in 2006 provided the evidence base for the Women's Enterprise Taskforce (2007-2009), set up by HM Treasury & BIS to advise government on the expansion of growth oriented women-owned enterprises in the UK [1]. Commissioned studies have been supplemented by ESRC-funded research focusing on the causes and consequences of the distinctive and gendered pattern of under-capitalization among women-owned firms that has a long term negative effect on business growth potential.</p> <p>Key Findings: The Strathclyde research has helped governments articulate an economic case for supporting women entrepreneurs. At UK government level, research suggests that an additional 150,000 businesses would be created if rates of business ownership among women were the same as among men and an additional 900,000 businesses would be created if the UK had the same rates of women's business ownership as in the US. In Scotland, Carter et al. estimate that an additional 108,480 businesses would be created if women's business ownership rates equalled those of men, a 32% increase in Scotland's business base and an increase in GVA of £7.6 billion equivalent to 5.3% growth in the size of the Scottish economy [2]. They have also investigated the question of why women use less finance than men when starting a business and the role of gender in securing business finance. Carter et al.'s research found that demand-side and supply-side factors interact to co-produce the lending decision; the aspirations and expectations of women business owners and the perceptions held by bank loan officers of women business-owners and 'female-type' businesses both affect the loan decision [3]. Unexpected differences emerged between bank loan officers: female bank loan officers had less effective personal networks for introducing new business loan applications and weaker internal communications with credit controllers [3]. The Strathclyde researchers' findings demonstrated the need to ensure women have sufficient capital to start and sustain their business, and identified changes in the training offered to bank loan officers, small business advisers and women entrepreneurs [4]. The recently awarded ESRC co-funded Enterprise Research Centre (a collaboration of Warwick, Aston, Imperial College and Strathclyde Business Schools) in which Carter is the lead for the Diversity & SMEs work-package, extends our prior work by developing innovative approaches to improving access to bank finance across diverse groups [5].</p> <p>Key Researchers: Sara Carter, Professor of Entrepreneurship, Strathclyde Business School (1992 – present); Eleanor Shaw, Professor of Entrepreneurship (1998 – present), Strathclyde Business School; Fiona Wilson, University of Glasgow (ESRC Study 2003- 2005); Wing Lam, University of Durham (ESRC Study 2003-2005).</p>
<p>3. References to the research</p> <p>Academic papers and commissioned policy reports containing key findings articulated in Section 2:</p>

1. Carter, S. and Shaw, E. (2006). *Women's Business Ownership: Recent Research and Policy Developments*. Foreword by Margaret Hodge, Minister of State for Industry and the Regions. London: DTI Small Business Service Research Report, November 2006, 96pp. <http://www.bis.gov.uk/files/file38338.pdf>
2. Muldoon, J., Brierton, J. and Carter, S. (2013) *Women in Enterprise: Draft Framework Consultation Document*. Glasgow, The Scottish Government. <http://www.wescotland.co.uk/launch-of-the-scottish-framework-for-womens-enterprise>
3. Carter, S., Shaw, E., Wilson, F. and Lam, W. (2007) Gender, Entrepreneurship and Bank Lending: The Criteria and Processes Used By Bank Loan Officers in Assessing Applications. *Entrepreneurship Theory and Practice*, 31(3), 427-444.
4. Wilson, F., Carter, S., Tagg, S., Shaw, E. and Lam, W. (2007). Bank Loan Officers' Perceptions of Business Owners: The Role of Gender. *British Journal of Management*, 18 (2), 154-171.
5. Carter, S., Ram, M., Trehan, K. and Jones, T. (2013) *Diversity and SMEs: Existing Evidence and Policy Tensions*, Warwick Business School: Enterprise Research Centre White Paper. http://enterpriseresearch.ac.uk/default/assets//File/ERC%20White%20Paper%20No_3%20Diversity%20final.pdf

Research was supported by ESRC grant (2003-2005) 'Securing a Business Loan: The Role of Gender in Business Financing' (Carter & Shaw). Also, the ESRC/BIS/BBA/TSB co-funded Enterprise Research Centre (2013 – 2016), a consortium of Warwick, Aston, Imperial and Strathclyde (Carter is CI, Associate Director and leading the work-package on 'Diversity & SMEs').

4. Details of the impact

Process / Events from Research to Impact

As a direct result of the aforementioned research studies, Carter & Shaw have been invited into sustained engagement with policy makers from the national and devolved administrations, and internationally through the EU, helping to inform and develop the economic case to support women entrepreneurs. Engaged scholarship is a cyclical process in which research and impact interact over time, with little clear demarcation of either stage. Their early studies stimulated and informed a policy debate which led to further research, either commissioned by government agencies or funded by research councils. As the research evidence base was developed and became more familiar to and trusted by policy makers, opportunities for engagement became more frequent. Through an engaged process, where the process itself becomes impactful, Carter & Shaw have helped shape and influence policy within the UK and devolved governments; influenced practice among business support organizations; and improved the understanding of factors that underpin access to finance opportunities for diverse enterprises.

Description of Impact

Strathclyde research drawing attention to the importance of women business owners in economic development and growth has been widely accepted in policy circles, where the work has both stimulated policy debate and influenced the framing of policy. Impact on policy at UK government level commenced during the New Labour administration and has continued during the Coalition administration post-2010. The researchers engaged in meetings, seminars and private briefings with staff at the Department of Business, Innovation & Skills (BIS); at a 10 Downing Street seminar under the chairmanship of Prime Minister Gordon Brown (15/1/2008), with John Hutton, then Secretary of State for Business, Enterprise & Regulatory Reform, and Stephen Timms, then Minister for Small Firms; with Geoffrey Norris, Head of the Downing Street Policy Unit (28/1/2008); and Lord Davies, then Minister of Small Firms at BIS (18/1/2010). Carter's membership of the UK Government's Women's Enterprise Task Force (WETF) (Source 1) and her chairing of the Swedish Presidency Workshop at the EU Conference 'From the European Charter for Small Enterprises to the Small Business Act', Stockholm (6/10/09) (Source 2) provided opportunities for further impact on policy. In September 2012, Carter chaired the Women in Enterprise Commission at the Scottish Government / STUC Women's Employment Summit, was subsequently appointed to the Scottish Government's Strategic Group on Women and Work, and chaired a series of workshops on women

in enterprise for the Scottish Government, some attended by John Swinney MSP Cabinet Secretary for Finance, Employment and Sustainable Growth in the Scottish Government (October 2012 - April 2013). The Scottish Government's Draft Framework and Action Plan [2], co-written by Carter, included some of the key ideas and activities identified as a result of these workshops. The draft document was circulated for consultation in May 2013 and recommendations incorporated into the Scottish Government Enterprise Strategy.

Working with banks and leading finance institutions, Strathclyde researchers have helped improve understanding of the complex factors that constrain access to finance and assisted development of innovative solutions to improve relative access to finance among diverse enterprises. Carter and Shaw established strong relationships with senior bank staff within the UK and internationally in the process of collecting data and disseminating research findings. While many personnel changes followed the financial crash of 2008, their engagement continued across a range of banking and finance organizations, including Carter's membership of the Global Banking Alliance Advisory Board (2007-2009). Shaw chaired events for Independent Women, a wealth management consultancy in 2011 and joined the Impact & Innovation Committee of Foundation Scotland in 2012; Carter, a Board Director of Women's Enterprise Scotland, has also worked with RBS in its *Supporting Diversity* initiatives. The need for a specific focus on women's enterprise, and particularly their opportunities to access finance, was recognised within the UK Enterprise Strategy (2008) and Women's Enterprise Task Force Final Report (2009). Access to Finance was one of the central pillars of work identified within the Women's Enterprise Task Force and was the subject of a joint banks and policy-makers roundtable expert discussion at HSBC's Head Office in Canary Wharf (2008). Furthermore, the Women's Enterprise Task Force successfully lobbied for a £12million co-investment fund for women (the Aspire Co-investment Fund). Through the Enterprise Research Centre (ERC), Carter currently leads the Diversity & SMEs work-package with Monder Ram (Birmingham), which aims to develop innovative approaches to improving access to finance opportunities across diverse groups.

Reach and Significance:

The impact of the Strathclyde research has been to stimulate policy debate regarding the importance of women's enterprise in economic development; to influence the framing, development and implementation of policy at various levels of government; and to influence the banking sector in its understanding of the factors that underpin access to finance opportunities for diverse enterprise.

The UK Government's Enterprise Strategy 2008 '*Enterprise: Unlocking the UK's Talent*', published as a supplementary paper to the Budget in March 2008, identified women as an under-represented group of entrepreneurs (Source 3). The Enterprise Strategy 2008 also announced details of a £12.5million capital co-investment fund for women and cited Carter and Shaw (2006) [1] twice in Chapter 4 'Access to Finance' pp.51-52, Section 4.16: "*There is clear evidence that women-owned businesses start with lower levels of overall capitalisation, and research has established unequivocal links between this initial under capitalisation and subsequent business performance.*" ... "*The research consistently shows that women-owned businesses have lower ratios of debt finance; and are much less likely to use private equity or venture capital.*"

The focus on women's business ownership as a source of economic growth was more recently highlighted by the Women's Business Council's (2013) report published by the Department of Culture, Media & Sport / BIS (Source 4) which cited Carter et al. (2013) [5] in the following statement "*However, we also believe that there is substantial untapped benefit due to women not achieving their full potential in enterprise activities. Currently, majority women-led Small and Medium Enterprises (SMEs) contribute £70 billion to Gross Value Added.*"

Among business support organizations, our work has influenced local and regional provision of business support for women-owned firms by providing a substantive evidence base that has helped secure recent EU and UK Government funding for women's enterprise initiatives. In 2013, Alison Price, Chair of the Women's International Centre for Economic Development (WICED), wrote, "*Your research has been absolutely crucial in the creation of WICED which is a global first in*

providing gender sensitive business incubation, business support, policy influencing and social entrepreneurship. We would particularly like to acknowledge the importance of your research in providing the empirical evidence required to help shape the WICED model and its role in contributing to the independent evidence base which has helped secure over £9M private and public investment in female entrepreneurship support infrastructure in the North West of England. I know you will be delighted to know that the WICED facility achieved 100% occupancy in its first year of operation, almost 2 years ahead of schedule and it now supports 74 new and growing female owned enterprises onsite, in addition to over 340 new female business start-ups annually and is in itself a fully sustainable social enterprise. We believe that this success is a reflection of the effective adoption of a number of your research findings relating to female entrepreneurship and the financing of women owned enterprises. Further to the development WICED we would also like to acknowledge the contribution that your research is making in the context of gender and entrepreneurship in the current development of the Liverpool and Manchester City Regions Local Enterprise Strategies and the framing of the new European Structural Funds Programme, nationally and specifically within the North West of England. We would like to express our thanks to you, Professor Shaw and the other members of your team at the Centre for your continued work in this field as it is indeed making a critical contribution in helping shape effective policy and practice in supporting female entrepreneurship.” (Source 5).

Dinah Bennett, Vice-Chair of the Women’s Enterprise Policy Group, advisor to the European Commission’s ECOSOC Committee on Women’s Entrepreneurship and advisor to the UK All Party Parliamentary Group on Entrepreneurship, similarly reports that she “*drew heavily on your [Carter & Shaw’s] research findings to inform the development of enterprise policy supportive of women entrepreneurs’ access to bank finance... In each of these roles I have also drawn from the implications of your research, using these to inform policy development”.* (Source 6).

Among banks and finance providers, the Strathclyde research has led to a greater awareness of factors that underpin women’s access to business finance and has contributed towards a growing understanding of the need for women entrepreneurs to raise initial capitalisation. Although women-led businesses perceive higher financial barriers, start with lower levels of overall capitalization, use lower ratios of debt finance, are much less likely to use private equity or venture capital, and are more likely to be discouraged borrowers, there is almost no evidence of supply-side discrimination, but substantial concerns exist that demand-side debt avoidance is more pronounced among women. The role of government in correcting this ‘market failure’ was seen in the creation of a government backed £12 million Aspire co-investment capital fund for women, introduced in 2009 to help support high growth, women-owned ventures, following the Women’s Enterprise Task Force Final Report. While co-investment funds support high growth potential businesses, there is residual concern that women-owned (and minority-owned) firms requiring lower levels of finance continue to perceive difficulties in accessing finance and may constitute the bulk of discouraged borrowers. These concerns are being addressed through the Enterprise Research Centre’s work-package on Diversity & SMEs led by Carter. The ERC is co-funded by the British Bankers Association and enjoys senior level engagement with Irene Graham, Director of the British Bankers Association taskforce, Dr Richard Roberts, Director of SME Market Analysis at Barclays Bank and Stephen Pegge, Director of SME Markets, Lloyds Banking Group, who are supporting a focus on access to finance and perceptions of discrimination among diverse SMEs.

5. Sources to corroborate the impact

1. Women’s Enterprise Task Force (2009) <http://www.womensenterprisetaskforce.co.uk/>
2. <http://ec.europa.eu/enterprise/policies/sme/best-practices/charter/2009-conference/>
3. BIS (2008) ‘Enterprise: Unlocking the UK’s Talent’, available at <http://webarchive.nationalarchives.gov.uk/20090804150227/http://www.berr.gov.uk/files/file44992.pdf>
4. Women’s Business Council (2013) “Creating a Fairer and More Equal Society” (Dept. for Culture, Media & Sport / BIS) <http://womensbusinesscouncil.dcms.gov.uk/4-enterprise/>
5. Letter of support from the Chair of Women’s International Centre for Economic Development (WICED).
6. Letter of support from the Founder of International Consultants for Entrepreneurship.