

Unlocking the Female Economy:

The Path to Entrepreneurial Success



About this report

This report explores the evolving landscape of female entrepreneurship. By examining the behavioural traits of male and female business owners and leaders, we uncover what can be done to create an environment which will support the current and future generations of women to launch and grow their own businesses.

We created this report through a combination of our own research of high net worth individuals from around the world, insight from our distinguished panel of experts and other third party sources.

Firstly, Ledbury Research, an international market research firm specialising in understanding and engaging high net worth individuals, conducted a survey of more than 2,000 wealthy individuals, all of whom had more than GBP£1 million (or equivalent) in investable assets and 200 with more than GBP£10 million. Respondents were drawn from 17 countries around the world, across Europe, North America, South America, the Middle East, Africa and Asia-Pacific. More than 800 of the respondents identified themselves as entrepreneurs, of which almost 200 were female. The interviews took place during the first half of 2012.

Secondly, Rob Mitchell of Longitude Research conducted a series of interviews with entrepreneurs, academics, professionals and other experts around the world. Longitude Research then wrote the report in conjunction with the Behavioural Finance team of the Wealth and Investment Management division of Barclays who also conducted the analysis of the underlying survey research. Our thanks are due to the interviewees for their time and insight.

Foreword

The 'entrepreneur economy' is a phrase that has undoubtedly worked its way into national consciousness over the past few years. Against a backdrop of a difficult business and financial climate and an uncertain employment market, a rising number of individuals have sought creative challenge to use this as an opportunity and set up on their own. The successful amongst these have been universally championed for their role in contributing to growth, creating employment and kick-starting the economy.

Amongst this cohort sits a newer growth segment, one that has seen perhaps the most dramatic growth in some countries but less in others. One that presents an opportunity for economies to sit up and take note, to look at the toolkit needed to enable them to flourish; that segment is women.

Last year we produced a report which explored the female economy in its broader sense. We looked at the influence of women as decision makers whether they are direct earners or not, and the need for all product and service providers to take note of what women want. The growing number of female entrepreneurs was identified as a key part of the equation, so we now turn our focus to this movement. We know from past research and calculations how vital women are to economic growth, so encouraging an environment which supports women on their entrepreneurial journeys is a global imperative.

Whilst we are seeing more women join these entrepreneurial ranks, the number of female entrepreneurs still trails the number of male business owners considerably. Why? Can we attribute this gap simply to personal choice and fundamental differences in lifestyle or entrepreneurial approach, or is it more to do with lack of opportunity and lack of access to the tools needed for success?

Although every entrepreneur's journey is distinct, and it is impossible to generalise on these gender differences, as a trusted advisor, we have a responsibility to scrutinise the current levels of entrepreneurialism, and do what we can to encourage and support both our male and female clients to realise their business and personal financial goals.

Unlocking the Female Economy: The Path to Entrepreneurial Success is the product of our research and expert insight, which enables us to look more deeply at this cohort and also at what can be gained from the success of the trailblazers to help a future generation of entrepreneurs succeed.

We thank our panel for their time and focus, hope that you find this a thought-provoking read and as always we are keen to hear your views.



Barbara-Ann King
Barclays Wealth and Investment Management

Our panellists



Dr. Daylian Cain, Assistant Professor of Organisational Behaviour, Yale School of Management

Dr. Daylian Cain is a leading expert on judgement and decision-making and behavioural business ethics. His work has been discussed in numerous publications, including Forbes, Harvard Business Review, The New York Times, and The Wall Street Journal. He is an award-winning educator, and in 2012, was the highest rated executive educator at Yale, recently being granted the Society of Business Ethics and Wheatley Institution's "Master Teacher in Ethics Award," in 2012, Yale SOM's Elective Teacher of the Year in 2011 and Society of Business Ethics Paper of the Year in 2010.



Babs Carryer, Adjunct Professor of Entrepreneurship, Carnegie Mellon University; Director of training and faculty development, National Collegiate Inventors and Innovators Alliance (NCIIA)

Babs Carryer is an expert on entrepreneurship and is currently running training for the NCIIA which focuses on expanding and supporting entrepreneurship in our nation's universities. Babs remains at CMU, teaching entrepreneurship. Babs co-founded, was past president, and is a current board director of LaunchCyte LLC, which has a portfolio of five life sciences companies, and is also President of Carryer Consulting, which provides strategic marketing and business planning services to technology companies and organizations in the software and life sciences sectors.



Dr. Sally Ernst, Co-Founder and Joint CEO of CloudStaff

Dr. Sally Ernst is the co-founder and joint CEO of CloudStaff, a specialised service enabling entrepreneurial companies to do more with scarce resources. She is also an investor in Event Zero, a high tech, real time event-processing company, having realised successful exits with the inventor from previous ventures, alongside a number of smaller start-ups and ASX listed company Flurotechnics. Sally currently sits on the Advisory Board of the E2Exchange, and has held a number of company and industry board positions. Remaining engaged in academia, Sally has given lectures, mentored and developed curriculum in the area of Entrepreneurship for University College London, Queensland University of Technology BSGB, London Business School, the Royal Society of Medicine, the Royal College of Psychiatry, and Warwick Medical School.



Lynne Franks, Founder of B.Hive

Lynne Franks is a businesswoman, author, broadcaster and speaker. In 2010, she launched B.Hive, a series of unique women's business lounges and hubs, in collaboration with the Regus Group, and before this she founded SEED – Sustainable Enterprise and Empowerment Dynamics – a provider and community for women's learning and coaching programmes on economic empowerment, sustainable business practices and creative leadership. In her career Lynne initiated London Fashion Week; created the British Fashion Awards; co-created the HIV/Aids fundraiser, Fashion Cares; chaired Viva, the U.K.'s first women's radio station; promoted Green Consumer Week; co-created Fashion Aid, alongside Live Aid and put on What Women Want, the U.K.'s first major women's festival at the South Bank. She has worked globally with many international businesses and NGOs, advising and initiating events for the empowerment of women and is considered the U.K.'s leading women's empowerment expert.



Dr. Emily Haisley, Behavioural Finance Specialist, Barclays

Emily Haisley joined the Barclays Behavioural Finance team in 2010. Her background is in academic research and teaching at the intersection of psychology, economics and organizational behaviour. Emily's research has been published in academic journals and has received citations in the popular press. Her research partners have included McKinsey & Co., Google, PNC Bank and the U.S. Department of Health and Human Services. Prior to joining Barclays she was a Post-Doctoral Associate at the School of Management of Yale University, and received a PhD in Organizational Behaviour from Carnegie Mellon University.



Tamara Heber-Percy, Co-Founder and Chief Technology Officer of Mr and Mrs Smith

Tamara Heber-Percy co-founded luxury hotel specialist Mr & Mrs Smith with her husband in 2003, after working as a marketing consultant for brands such as Ericsson, Honda, Unilever and Swissair. She left the corporate world in 2002 to head up her own company, The County Register – an exclusive introductions agency – and to launch Mr & Mrs Smith. Combining travel expertise with technological knowledge, Tamara has been the architect behind the development of Mr & Mrs Smith's e-commerce-enabled website, and has masterminded an array of technical integrations with bookings engines and content feeds to high-profile affiliates, as well as maximising SEO, introducing consumer-generated content and co-ordinating the launch of the Smith Travel Blog.



Shalini Khemka, Chief Executive Officer of the E2Exchange

Shalini Khemka is Founder and CEO of the E2Exchange, a members' organisation for entrepreneurs, dedicated to being a catalyst for entrepreneurial activity. Prior to this role, Shalini was an Investment Director at LDC, the private equity arm of Lloyds Banking Group, where she was actively involved in initiating the growth of the LDC profile in the British-Asian community in the U.K. Shalini is also Board Director of the Rajasthani Foundation (TRF) – helping women and children in Rajasthan and is an active supporter of Opportunity International – a world leading microfinance organisation.



Barbara-Ann King, Barclays Wealth and Investment Management

Barbara-Ann leads the private client business focussed on female clients at Barclays Wealth and Investment Management. A former lawyer and academic, she joined Barclays investment leadership team in 2006 to build the firm's Alternative Investment business, which she previously ran globally for Citi in New York. After the successful build Barbara-Ann took a seat on Barclays Stockbrokers Executive and Management team, leading its investment, product and e-commerce focus. Whilst chairing the firm's internal women's network, Barbara-Ann launched a client programme, *SmartWoman*, which led her to set up the business she now runs. A renowned banking industry spokesperson and ambassador for women, Barbara-Ann has received a number of accolades for her work, including a Barclays Woman of the Year award and was named in FN100's Most Influential Women. She sits on a number of bodies focussed on developing women and entrepreneurs.



James Lohan, Co-Founder and CEO of Mr and Mrs Smith

James Lohan is one half of the couple behind Mr & Mrs Smith, the boutique and luxury hotel booking specialists. Prior to launching the online business, James founded the events company Atomic and restaurant and members' club, the White House. Since Mr & Mrs Smith's first guidebook was published in 2003, the company has grown to a multi-faced travel provider, comprising an online booking service, an in-house reservations team and a three-tiered membership programme, which includes a full travel and lifestyle concierge service.



Loretta McCarthy, Managing Director, Golden Seeds

Loretta McCarthy is Managing Director of Golden Seeds LLC, an investor consortium that invests in early-stage, women-led companies. Since its founding eight years ago, Golden Seeds has invested over \$22 million in 36 companies. She has personally invested in over 15 early-stage companies and has been a member of the board of directors of several of them. Previously, Loretta worked with Oppenheimer Funds, a leading investment management firm, where she was Executive Vice President, Chief Marketing Officer and a member of the Executive Committee. She is actively involved in philanthropic services: for the past six years, she has been President of the board of directors of Sanctuary for Families, and is current board member of New Yorkers for Children. In addition, she is a member of the Women's Forum of New York.



Gita Patel, FCA Founder Stargate Capital

Gita Patel is a Chartered Accountant and has spent 15 years in banking followed by a career as an entrepreneur, a business angel and fund manager. She is also a co-founder and director of Stargate Capital Investment Group which created the Trapezia programme and as part of that she pioneered Europe's first venture fund, targeting women-focussed businesses. The Trapezia model has led others in the U.K. and abroad to set up similar female-focussed funds. Gita has vast experience in advising and championing initiatives, ranging from the economic empowerment of women in business to leading 'boardroom ready' initiatives for more balanced boardrooms. Her work has taken her to many parts of the world where she has shared her insights and advised stakeholders. Gita contributes regularly to the media and is seen as an expert leading change in the women's markets. She was recently selected as a business mentor on the "Women in Business 2011" series on Woman's Hour, BBC Radio 4. Gita is a governor at LSE and serves on the LSE Enterprise Ltd board as well as the Finance Committee. Gita was listed in the 2005 Asian Power 100 List.



Vivek Wadhwa, Academic and Technology Entrepreneur

Vivek Wadhwa is Vice President of Academics and Innovation at Singularity University and a Fellow at Arthur & Toni Rembe Rock Centre for Corporate Governance at Stanford University. He is also Director of Research at the Centre for Entrepreneurship and Research Commercialization at the Pratt School of Engineering, Duke University and distinguished visiting scholar at the Halle Institute of Global Learning, Emory University. In his academic roles, Vivek lectures on entrepreneurship and public policy and leads ground-breaking research projects. He is an advisor to several governments, mentors entrepreneurs and is a regular columnist for The Washington Post and Bloomberg BusinessWeek. Prior to joining academia in 2005, Vivek founded two software companies.

Introduction

Around the world, women are becoming increasingly affluent and influential. Women globally earn GBP£8 trillion in annual income, a figure that is forecast to reach GBP£11 trillion by 2014¹. They control more than half of the private wealth in the U.S., and more than 80% of purchasing decisions². Women have also made significant strides in terms of representation in the workplace, academia and public life. On average, women hold 44% of civilian jobs held in member countries of the Organisation for Economic Co-operation and Development (OECD)³ and comprise more than half of those enrolled in higher education⁴.

Although women now participate at similar rates to men in the overall workforce, and achieve similar levels of education, they remain under-represented in entrepreneurship. There are many reasons for this low presence. Despite decades of progress in building a bigger profile in the workplace, women still face societal and cultural barriers to striking out on their own. In most instances, women continue to shoulder the majority of the responsibility for childcare and managing the family home. This has the potential to make it very difficult to meet the demands of running a business, which can often be more time-consuming than a more structured job. At a general level, numerous academic studies have shown that women tend to possess fewer of the traits that are commonly associated with entrepreneurship, such as a willingness to take risks.

Perhaps more importantly, however, women often lack the investment support they need to launch and grow their business. Entrepreneurs need access to risk capital to fund each stage of their entrepreneurial journey. For women, it can be more difficult to tap into sources of finance simply because the investment world remains male-dominated. Some investors may wrongly conclude that the obligations of family life mean that women will lack commitment to their ventures. Financial institutions that understand the needs of women business owners are therefore a critical catalyst of female entrepreneurship.

More broadly, women need access to the right information and networks, both social and inter-organisational. Although times are changing, women can often find themselves excluded from the informal networks that are an important source of advice and opportunities. Some academic studies have found discrimination from male-dominated supplier systems, such as preferential treatment in the timing and delivery of orders⁵. This hostility makes it more difficult for women to penetrate these networks and establish the systems and processes that are necessary to run a successful business.

Overcoming these barriers and creating the right toolkit for supporting female entrepreneurship will be a critical part of the economic recovery. This report examines the current state of female entrepreneurship, and explores what is required to increase the numbers of women seeking to start and grow new businesses. The report also examines some of the behavioural traits of male and female entrepreneurs, and looks at what could be done to make the right tools and information available to women who want to start and successfully grow a business.

Around the world, women are becoming increasingly affluent and influential. Women globally earn GBP£8 trillion in annual income, a figure that is forecast to reach GBP£11 trillion by 2014¹.

¹ "The Female Economy," Michael J Silverstein and Kate Sayre, *Harvard Business Review*, September 2009 (currency converted from USD to GBP on 14.01.2013).

² Quoted in "Women in Philanthropy," by Betsy Brill, *Forbes*, August 2009.

³ OECD, quoted in "Shattering the Glass Ceiling," a Boston Consulting Group perspective.

⁴ Eurostats, "Tertiary Education Statistics" (2012); Eurostats, "Share of Women among Tertiary Students" (2011).

⁵ Weiler, S. & Bernasek, A. 2001. "Dodging the glass ceiling? Networks and the new wave of women entrepreneurs." *Social Science Journal*.

Executive Summary

Encouraging female entrepreneurship should be an economic and policy priority. Women are now better represented than ever before across the labour force, but their participation in entrepreneurship remains low and in some countries, has even declined over the past decade. This low rate of entrepreneurial activity means that societies are failing to make effective use of the full range of economic resources at their disposal. At a time when developed markets in particular are still struggling to emerge from economic downturn, this is a missed opportunity that urgently needs to be addressed.

Women are better represented among high net worth business owners. The number of women who start businesses may be relatively low, but females are much better represented among high net worth business owners. Among the wealthy individuals surveyed for this report, the proportion who classify themselves as business owners is broadly similar across genders, at 49% of men and 44% of women. The share of wealthy individuals who have made their fortunes from selling a business varies slightly more across genders, at 13% of women and 23% of men.

In entrepreneurship, the pay gap is reversed.

Despite progress in recent decades, the pay gap between the genders persists in the labour force, with women on average earning 15% less than men. But in an entrepreneurial context, this pay gap is reversed. Among our sample, the average annual income for female entrepreneurs is GBP£382,000, compared with an average of GBP£327,000 for men. This suggests that women will tend to achieve greater financial success in an environment that is purely market-driven, rather than a more traditional job in which pay must be negotiated.

A different attitude to risk has both positive and negative implications.

Academic research has consistently shown that women are more risk averse than men and are less likely to describe themselves as financial risk-takers. For female entrepreneurs, this attribute has some benefits as it can minimise the danger that they will take excessive risks or over-commit resources, and makes it more likely they will put appropriate safeguards in place. But the more cautious approach to risk-taking that many women exhibit can have its downside because they may miss opportunities or lose out to competitors who are more willing to take risks.

New finance tools, such as crowdfunding and peer-to-peer lending, are providing options that are much needed at a time when lending to some entrepreneurs remains constrained.

Funding remains a key issue but new sources of finance give women more options. The proportion of risk capital that is invested in female-led companies remains extremely small. Panelists questioned for this report argue that the investment world remains male-dominated. As such, more must be done to encourage women into venture capital and business angel roles, and to provide female entrepreneurs with the knowledge and tools they need to access the right finance at the right time. New finance tools, such as crowdfunding (raising small amounts of money from a large number of people usually via the Internet) and peer-to-peer lending, are providing options that are much needed at a time when lending to some entrepreneurs remains constrained.

Networks are a vital source of advice and support. Women should adopt a strategic approach to building networks to ensure that they have access to the support and information they need to grow their business. This can mean developing a network before it is needed, knowing that the knowledge and advice within that network will be valuable at some point in the future. Female-only networks provide a valuable platform to share ideas, experiences and information in a supportive environment, but women should be conscious of their limitations because any network comprised of a single gender is by definition limited in terms of the knowledge, advice or opportunities it presents.

Despite progress in recent decades, the pay gap between the genders persists, with women on average earning 15% less than men.

The missed opportunity of female entrepreneurship

In most countries around the world, male entrepreneurs outnumber female entrepreneurs by a substantial margin. A 2010 report from the Global Entrepreneurship Monitor looked at rates of early-stage entrepreneurial activity around the world and found fewer female than male entrepreneurs in 58 out of 59 economies. In only one country — Ghana — was the proportion of female entrepreneurs greater than 50%. In some countries, such as South Korea, the proportion was as low as 20%⁶.

There is a close link between levels of entrepreneurship and the broader state of economic development in a country. In regions that are at an earlier stage of their development, “necessity-driven” entrepreneurship, whereby individuals are forced into ventures because there are few other options, is commonplace. As economies develop, there are more job opportunities, so the need for entrepreneurship declines. In the most advanced economies, entrepreneurs tend to be “opportunity-driven,” which means that they can choose whether to start a venture or not.

The gender gap is at its widest in high-income, “opportunity-driven” countries, where men are almost twice as likely to be early stage or established business owners. In the U.K., for example, the level of entrepreneurial activity among women is even smaller at just 44% of that found among men. Men are also around twice as likely as women to say that they expect to start a business in the next three years⁷.



⁶ Global Entrepreneurship Monitor.
⁷ Global Entrepreneurship Monitor.

Similar patterns are found in other developed markets. Women make up about 46% of the civilian workforce in the U.S., but account for only 35% of individuals who start a business. In Silicon Valley, probably the most innovative cluster in the world for technology, just 10% of entrepreneurs are female, according to a report from Startup Genome⁸.

Some measures have even found that rates of entrepreneurship among women have declined over the past few years. According to the Kauffman Foundation, 260 out of 100,000 women in the U.S. (or 0.26%) were involved in entrepreneurial activity in 1996 but, by 2011, this proportion had fallen to 230. The corresponding figures for men were 0.37% and 0.42%⁹.

These low rates of female entrepreneurship are not just a diversity issue; they are also an economic one because they demonstrate clearly that almost all countries are failing to make productive use of the tools available to enable economic growth. Most economists and policy-makers accept that a thriving entrepreneurial culture is essential for economic growth and well-being. Entrepreneurs allocate capital for efficient use by nurturing technologies, business models or markets that may be too risky or too far afield from the business practices of established companies. They also play a disproportionately large role in job creation. One piece of research from the U.S., for example, found that virtually all new jobs are created by companies in their first five years of existence¹⁰. By introducing innovative new products and services to the market, entrepreneurs stimulate competition, making old, inefficient business models obsolete as new, stronger entrants gain market share through the process of creative destruction.

Anything that prevents women from starting ventures, or realising their growth ambitions, impedes this vital economic progress. Gita Patel, an active business angel and founder of Trapezia, a fund that invests in female-led companies, observes that women continue to struggle because of difficulties accessing risk capital and loans because of insufficient collateral and business networks. "The participation of women in business is essential for economic growth and yet the female economy is still underserved by the current providers," she says.

A paradigm shift in female entrepreneurship

Gita Patel is the co-founder of Stargate Capital, an active business angel and the founder of the Trapezia Fund, which was set up to invest in female-led businesses.

What changes have you seen in the environment for female entrepreneurship?

"We are seeing a paradigm shift caused by demographics, advances in education, technology and a brain drain from the corporate sector to the entrepreneurial sector as well as changing attitudes to women. Women are living longer, and are better educated. If you look at my original profession, chartered accountancy, when I first started only 5% of chartered accountants were women. Now it's more than 50% and you see similar shifts in the legal, medical and other professions."

"Women are creating their own wealth at an increasingly rapid rate, both in their own businesses and in successful corporate careers. The statistics are compelling. In the U.K. by the year 2020, the number of millionaires will quadruple to 1.7 million and 53% of these will be women."

What encouraged you to set up Trapezia?

"It was clear to me that there were many women seeking to become entrepreneurs and grow big businesses, but who were unable to access risk capital and business networks."

Is access to capital the biggest issue for female entrepreneurs?

"If you are looking at early stage companies, it is difficult for both men and women because of the high level of risk. But for women it is even more challenging because they don't have the connections, they don't have the referral networks and they don't know where to go."

To what extent do you think tools like crowdfunding will make a difference?

"Crowdfunding is an excellent idea. The problem is that, in some countries, there are problems with integrating it with the regulatory environment. I'm just hoping that our regulators at some point will see this as an injection into the market. Because this sort of funding has the potential to be absolutely phenomenal."

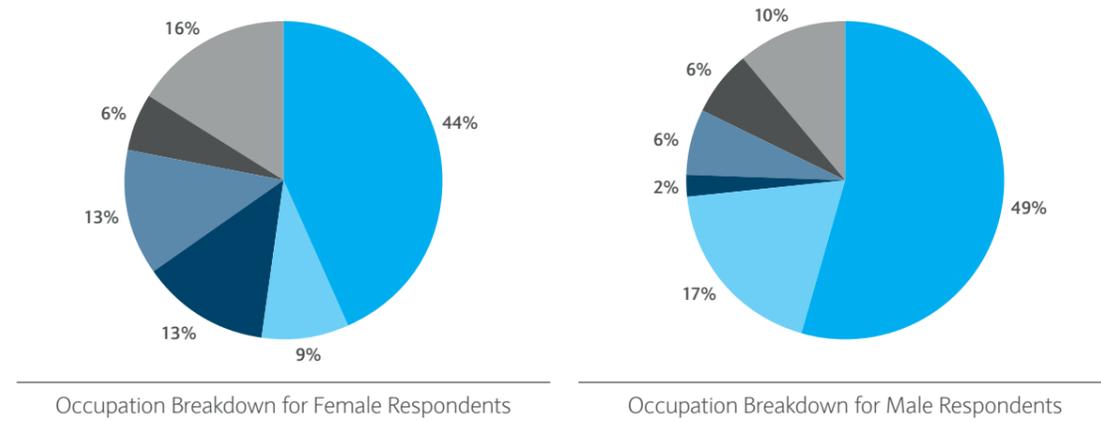
⁸ Start Up Ecosystem Report 2012, Startup Genome.

⁹ Kauffman Index of Entrepreneurial Activity, 1996-2011.

¹⁰ "Overcoming the Gender Gap: Women Entrepreneurs as Economic Drivers," Kauffman Foundation.

Reversing the pay gap

Chart 1
Occupation breakdown*



Key
 ■ Business Owner/Entrepreneur ■ Senior Managers of Large Company ■ Senior Managers of Small and Medium Enterprise
 ■ Other Employees ■ Professional Financial Workers ■ Professional Non-Financial Workers

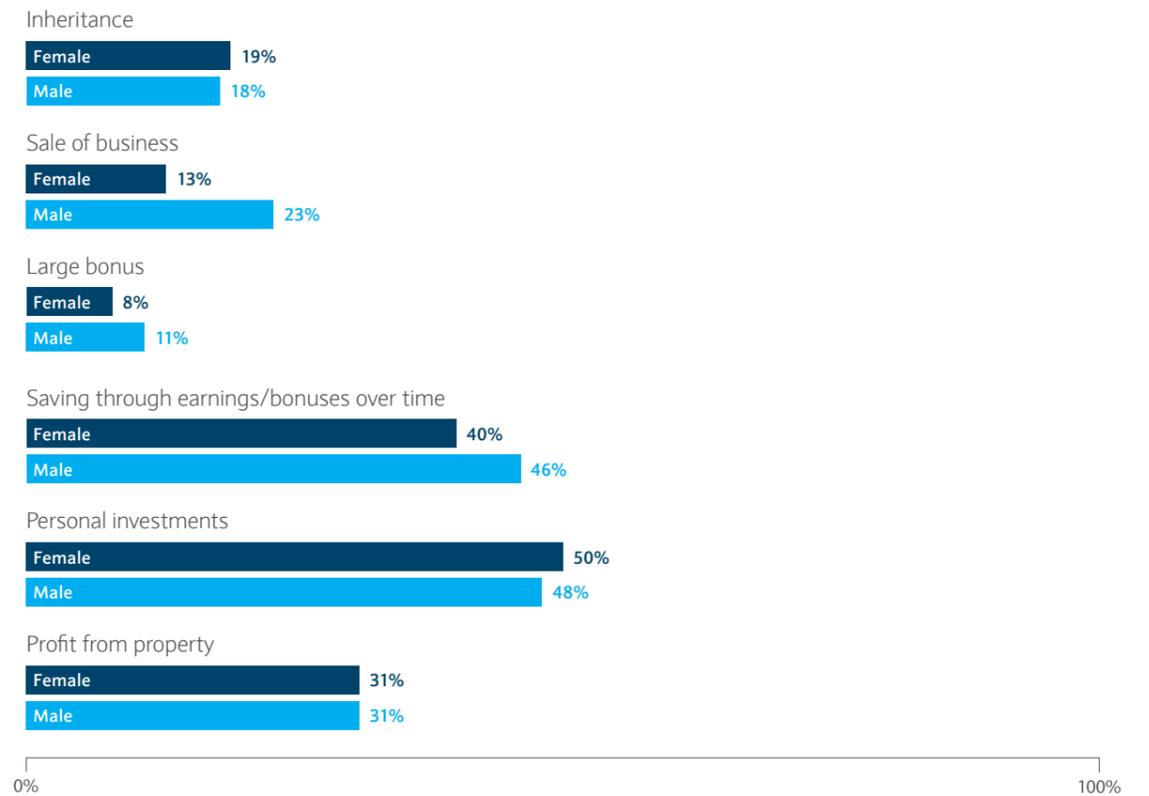
Source: Ledbury Research
 *Excludes retired, semi-retired, not working, and home makers.

Evidence suggesting that women are as likely to run successful businesses as men further strengthens the argument to promote female entrepreneurship. Over the years, there have been numerous research projects that demonstrate a link between the participation of women at a senior level in business and strong company performance. Academic studies have shown a correlation between gender diversity at board level and improved corporate governance and decision-making. One report found that companies in the top quartile for share of women on the executive committee had a return on equity 41% higher than those with no women, and operating margin that was 56% higher¹¹. Care needs to be taken with these studies, however, as it may also be the case that successful companies are more likely to invite women to join their boards, and not just that more women board members lead to improved performance.

Despite the relatively low levels of female entrepreneurial activity in most countries, when it comes to high net worth individuals, the proportion of women who own and manage a business is almost the same as men. Just under half (49%) of the male sample in a recent Barclays survey of high net worth individuals classify themselves primarily as business owners or entrepreneurs, whilst among women, the proportion of business owners was 44% (see chart 1).

Women are also achieving successful exits from their ventures — although not as frequently as men. Among the men, 23% say that their wealth comes from the sale of a business, compared with 13% of women (see chart 2).

Chart 2
Source of wealth*



Source: Ledbury Research
 *Percentages do not sum to 100% because respondents could select more than one source as a "primary" source of wealth.

11 Women Matter 2010: "Women at the top of corporations: Making it happen," McKinsey & Company

Chart 3
Income comparison between male and female*



Key
■ Male ■ Female
 Source: Ledbury Research
 *Excludes retired, semi-retired, not working, and home makers.

Looking at the working population as a whole, the pay gap between men and women still persists. According to the Fawcett Society, a campaign group, women earn on average 15% less than men in the U.K.¹². For wealthy non-entrepreneurs in our survey, these findings are even starker, with the average income for men who are non-business owners and non-entrepreneurs GBP£273,000 and for women GBP£217,000 (see chart 3) — a 21% drop in income for women compared to men. But, among the entrepreneurial population, these figures are reversed, with men earning on average 14% less than women. The average annual income for female entrepreneurs (excluding the retired, semi-retired or those who are currently home makers) is GBP£382,000, compared with an average of GBP£327,000 for men.

So why do women tend to be rewarded better in an entrepreneurial environment? One important difference is that pay is more directly tied to the performance of the company. Business owners may reward themselves with salaries or dividends that are linked to the revenues and growth of the business. In a corporate environment, by contrast, pay must be negotiated and it is here that women can often struggle.

Research has shown that men are four times more likely than women to ask for a pay rise, and far fewer women will negotiate their salary when accepting their first job. Over time, this has a snowball effect, which means women could be forfeiting up to GBP£317,000 in lost earnings over the course of a career. For women in the top salary echelons, the figures are likely to be much higher¹³.

One survey from LinkedIn found that 26% of women felt comfortable negotiating, compared with nearly 40% of men¹⁴. Various reasons have been put forward for this gap. In general, women may be less inclined to be competitive than men, may be judged negatively when they do negotiate, and may feel uncomfortable claiming value in a negotiation. This reluctance to negotiate can have financial consequences in even the most mundane situations. One study found that women will pay as much as GBP£843 more than men to avoid negotiating the price of a car with an average price tag of GBP£9,346¹⁵.

For Dr. Emily Haisley of the Behavioural Finance team at Barclays, this has important implications for female entrepreneurs, because a large part of their success is likely to be based on the ability to negotiate successfully with other parties, including finance providers, suppliers, agents, employees and clients. “Women entrepreneurs are probably not taking advantage of all the opportunities they have to negotiate,” she says. “Further, women tend to feel less comfortable aggressively bargaining on their own behalf, though they tend to feel comfortable negotiating on behalf of someone else,” Dr. Haisley continues. “This means that they need to be hyper aware of the opportunities that they have to negotiate, and take themselves out of their comfort zone when they do so to get the best deal.”

Dr. Haisley advises that women must be aware of how different scenarios affect the need to consider appropriate negotiation techniques. There are essentially two approaches to any negotiation: distributive and integrative. A distributive negotiation takes place in a one-off transactional setting, for example when purchasing the physical capital necessary to set up an office. There is typically a fixed amount of resources available, and the negotiation process means that, a gain for one party (lower cost) means a loss for the other party (less revenue). Parties generally share as little information as possible and have a straightforward focus on achieving their goal. In distributive negotiations, aggressive tactics are typically successful, so long as they are not so aggressive as to result in an impasse. These include making the opening offer, and making one that is almost outrageously in your favour, refusing to make concessions but rather reiterating your offer with substantiation, and making it clear that you are willing to walk away. One of the best things you can do in a one-off distributive negotiation is to have multiple alternatives in case of an impasse.

¹² “Equal Pay — the Facts,” Fawcett Society.
¹³ *Women Don't Ask: The High Cost of Avoiding Negotiation — and Positive Strategies for Change* by Linda Babcock and Sara Laschever, Bantam Books, March 2007 (currency converted from USD to GBP on 14.01.2013).

¹⁴ Quoted in “Why American Women Lose At Negotiation — And What We Can Do About It” by Meghan Casserly, *Forbes*, April 2012.
¹⁵ *ibid* (currency converted from USD to GBP on 14.01.2013).

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Integrative negotiations are more complex and often occur in an ongoing situation, where the two parties are seeking to build a longer-term relationship. There may be a possibility for mutual benefit to be gained, which means that there is an incentive to share more information and work collaboratively on problem-solving to expand the pie and create value for both parties. The classic example of an integrative negotiation is two sisters negotiating over an orange. Both girls want the entire orange initially but come to a mutually beneficial solution when they discover that one girl is interested in the pulp to make some juice and the other is interested in the peel to bake some cookies. It is clear that to come to this win-win solution requires trust and communication about needs and preferences. “Understanding the difference between distributive and integrative negotiation and when each tactic should be used is a vital skill for any entrepreneur but, for women, it is particularly important given their propensity to shy away from aggressive tactics, vital for success in distributive negotiations, and necessary to excel and expand the pie in integrative negotiations,” says Dr. Haisley.

Women have good reason to feel self-conscious if they negotiate aggressively. Research¹⁶ has also found that women who choose to negotiate tend to be considered too aggressive and focused on their own narrow interests by opposite parties. “With ongoing relationships that involve negotiation, women need to manage carefully people’s perceptions of them,” says Dr. Haisley. “To avoid being judged too harshly in a negotiation, women should ensure that they are not perceived as negotiating on their own behalf — but rather on behalf of their employees or the business as a whole.”

Tips for taking the lead in negotiations

If you don’t like negotiating, ensure you recruit someone onto your team who does.

Seek out negotiation training — practice is invaluable.

Look for opportunities to negotiate and set ambitious goals before you enter a negotiation setting.

Display confidence in the strength of your position, particularly in distributive negotiations. Take control of the negotiation rather than waiting for the other party to lead — make an ambitious opening offer.

Ask questions to understand the other person’s point of view — look for things that they value more than you. You can concede on those points in exchange for the points that are important to you.

Add value rather than reducing your fee.

Have alternatives to an agreement. This will allow you to engage in more high risk aggressive tactics and will enable you to walk away if you are not happy with the outcome.

¹⁶ Women Don’t Ask: The High Cost of Avoiding Negotiation — and Positive Strategies for Change by Linda Babcock and Sara Laschever, Bantam Books, March 2007

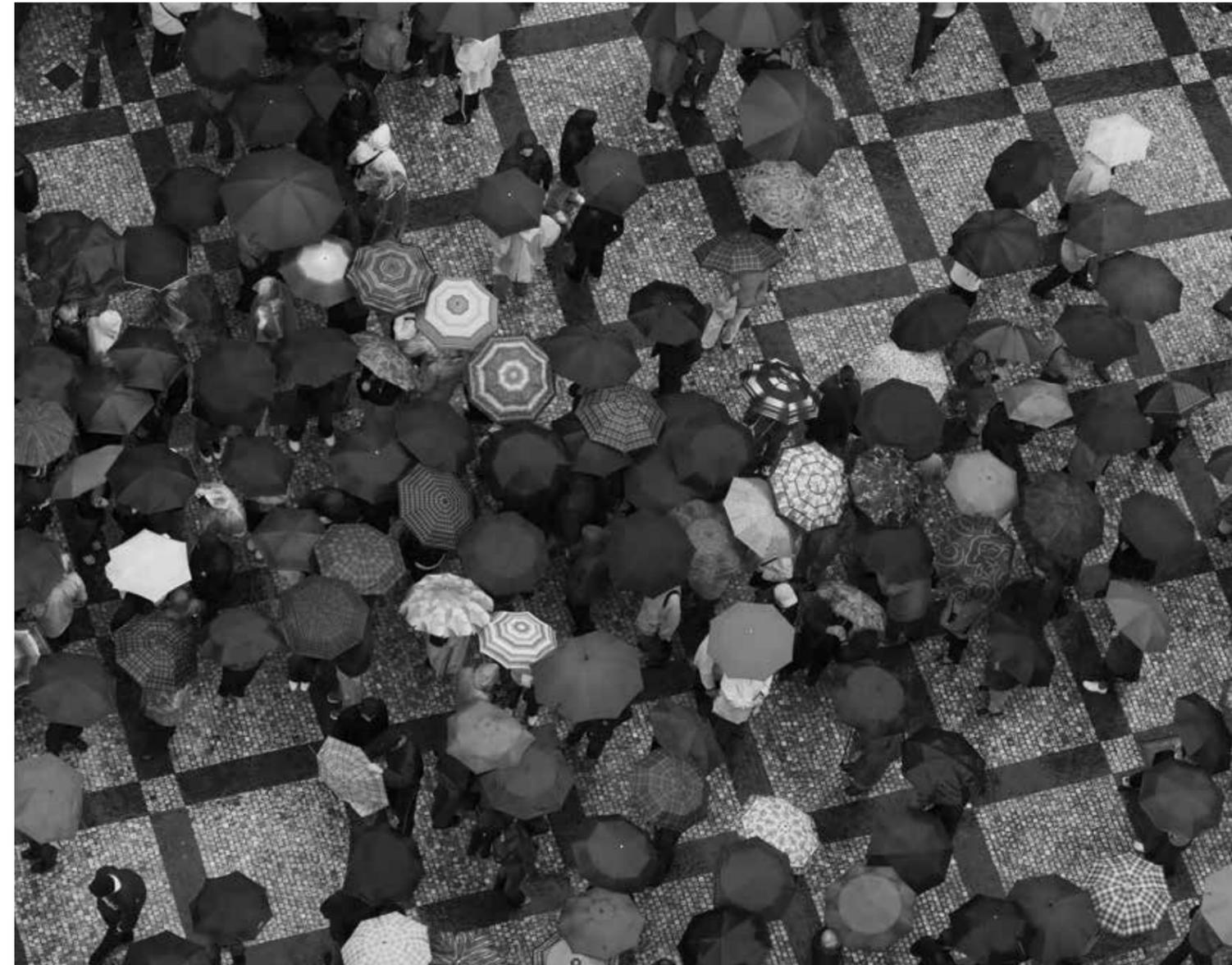
Section 2

Characteristics of female entrepreneurs

No two entrepreneurs are identical, and neither are any two men or women. But, in general, research has shown that there are similarities across each gender in terms of both the motivations and attributes that men and women apply to their entrepreneurial endeavours.

Men and women often have very different reasons for embarking on a new business venture. Research has shown that men are more likely than women to become entrepreneurs as a way to create wealth or “get ahead.”¹⁷ Women, on the other hand, may prioritise the need to achieve a better work-life balance or the ability to juggle work with family responsibilities¹⁸. These different motivations for entrepreneurship mean that men and women may have different measures of entrepreneurial success. For men, the key metrics may be simple wealth creation for its own sake or even just as a measure of success. Women, by contrast, are more likely to take a broader view and consider a range of non-financial measures.

Entrepreneurship may be a more flexible way of working, but juggling multiple commitments can lead to highly complex and demanding lives. “All of the commitments that are part of a woman’s life can end up becoming barriers to success if they don’t determine how they will accommodate them in their lives at the same time as running a business,” says Loretta McCarthy, Managing Director of Golden Seeds, a fund that invests in female-led ventures. “If women don’t have a vision of what they want their business to be and the determination and the grit to get it done, it’s very easy to be side-tracked by the other aspects of their lives.”



¹⁷ Kirks, J. & Belovics, R. 2006. “Counseling Would-Be Entrepreneurs.” *Journal of Employment Counseling*, 43 (2): 50-62.
¹⁸ OECD Week 2012, “Gender Equality in Education, Employment and Entrepreneurship.”

Some women turn to entrepreneurship because they have become dissatisfied with the corporate environment. The Guardian Life Index found that women cited “office politics” as a key factor in leaving corporate roles to start their own businesses. “Many women dislike a highly competitive environment and may be drawn to one that is more collaborative,” says Dr. Haisley. “So, instead of trying to fit in with traditional corporate environments, female entrepreneurs have the opportunity to establish their own culture in which they feel more comfortable.”

Other women may have become frustrated about the “glass ceiling” that they believe prevents them from reaching senior management positions. Although progress has been made in opening up senior positions for women, it has been slow. One study from 2009, for example, found that, out of the world’s 2,000 top performing companies, just 29, or 1.5%, had female CEOs¹⁹. Some countries have made this a matter of policy. Norway, for example, introduced legislation in 2003 requiring companies to have boards with at least 40% female participation. Other countries, including France, the Netherlands and Italy have followed suit, although the European Commission recently rejected plans to introduce mandatory quotas due to opposition by a number of member states.

Ms. McCarthy cautions, however, that starting a business because of a lack of other options is a bad reason to become an entrepreneur. “Starting your own business is a huge commitment, and it cannot be something that people are doing because they are opting out of another choice.”

19 “Women CEOs: Why so Few?” *Harvard Business Review*, Herminia Ibarra and Morten T. Hansen.

Risk-taking, confidence and competition

One area where key differences emerge between men and women is in the willingness to take risks. Numerous studies have shown that, in general, women have a lower risk tolerance than men. Research conducted by Barclays draws a similar conclusion. Barclays has extensively studied attitudes toward risk and other personality traits which practically translate the way in which an individual would approach and behave in financial situations. Whilst it is recognised that each person possesses a unique “financial personality”, there are patterns that emerge between genders (depicted in Chart 4). On average, women are one category lower than men in their Risk Tolerance. This means that, when presented with the option of a high risk, high return investment or one with lower risk and lower return, women respondents said they are more likely to choose the latter. Women are also slightly, but significantly, lower than men on Market Engagement, which suggests that they are more likely to avoid investing in financial markets out of fear of loss.

These survey outcomes should not, however, encourage the conclusion that all women are less risk averse than men. In fact, there is still 15% of women who are medium-high to high risk takers as well as 29% of males who conversely score low to medium-low in risk appetite (see chart 5). Looking more closely at Market Engagement further strengthens this. While men tend to be at the extreme high end of the scale, a strong 39% of women score medium-high to high, demonstrating comfort investing in risky markets. Many women therefore do recognise that, by investing, they can access opportunities to grow their wealth and do not shy away from this possibility.

Chart 4
The Average Financial Personality Assessment of Men and Women in the U.K.

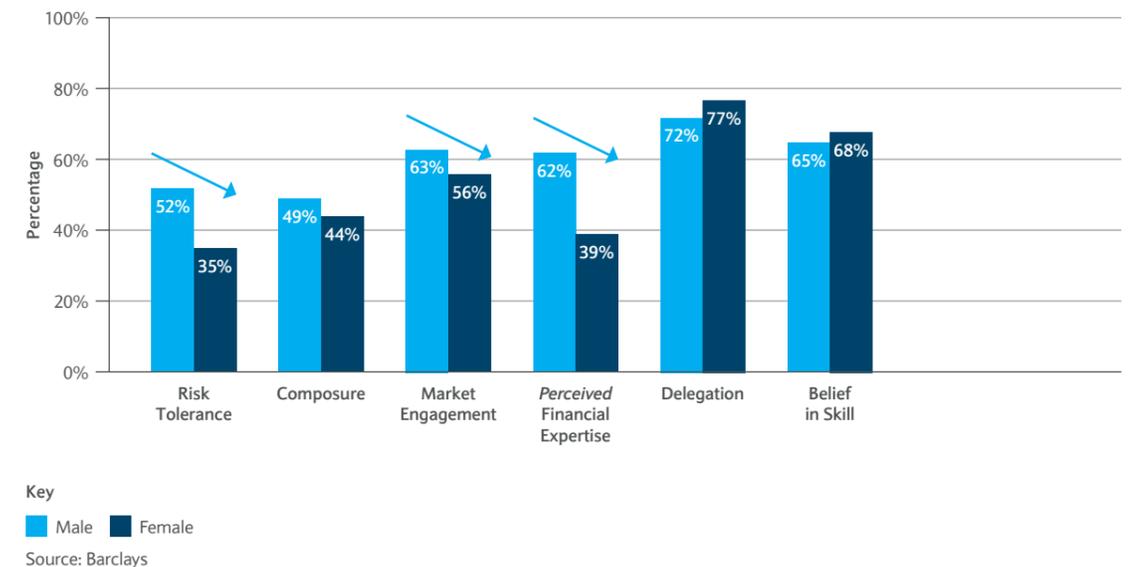
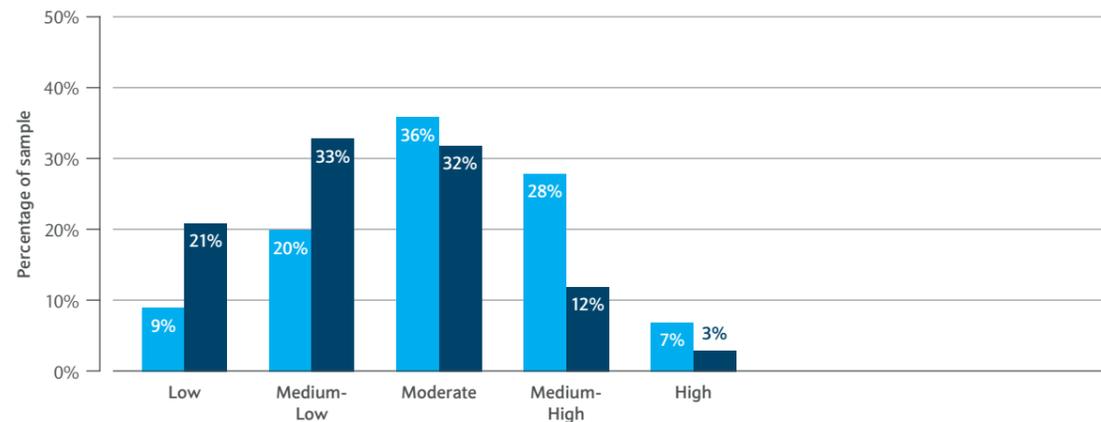
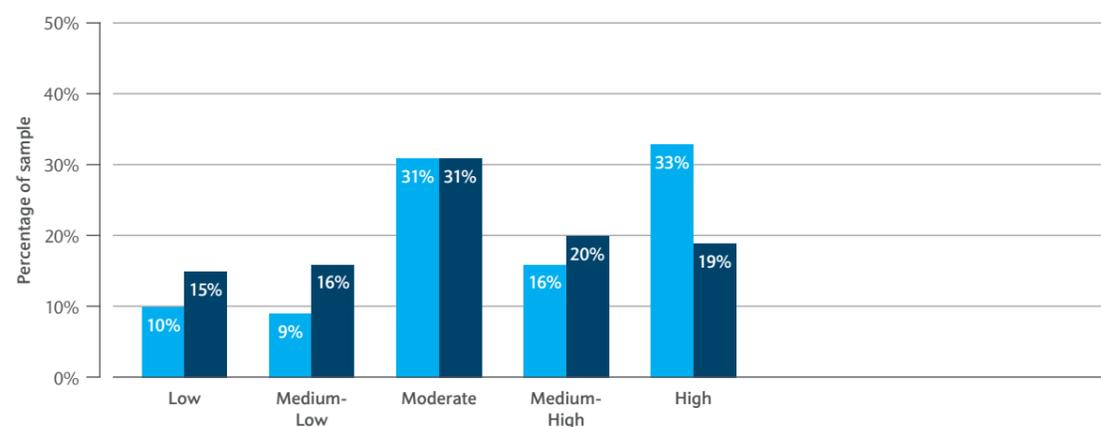


Chart 5
Risk Tolerance Histogram



Key
■ Male ■ Female
 Source: Barclays

Chart 6
Market Engagement Histogram



Key
■ Male ■ Female
 Source: Barclays

“The propensity for risk-taking is going to be helpful in some situations and harmful in others,” says Dr. Haisley. “Ideally, an entrepreneur should be someone who is comfortable taking risks in return for an opportunity, but who also thinks about the potential downsides and takes them into consideration.”

Returning to Chart 4, Barclays also finds that women respondents believe they have substantially lower Financial Expertise. On average, women respondents said they *feel* less confident and less knowledgeable about financial matters compared to men (though this may not actually be the case).

A positive implication of women’s wariness about risk and humility about one’s financial expertise is that they are less likely to take excessive risks. Taking risk without paying heed to the potential consequences can lead to over-confidence and what economists call excess entry – the tendency to invest too heavily in new markets relative to the entrepreneur’s skills and competitive strengths. According to Dr. Daylian Cain, Assistant Professor of Organizational Behavior at Yale School of Management, excess entry occurs for several reasons. “If you take two tasks – an easy one and a difficult one, then individuals think they are better than others in easier tasks because they neglect the fact that it’s also easy for everyone else, which means they are more likely to engage,” he explains. “With the hard task, they neglect the fact that it’s hard for everyone else so they don’t engage.”

What’s worse, when prompted to consider the competition, one’s estimates of the competition are more ‘regressive’ than estimates of the self. “In an easy task, I know I can do it, but I am less sure if you also find it easy, thus I am inclined to feel that I am likely better than you at an easy task,” says Professor Cain. “In a difficult task, I often am keenly aware of how hard it is for me, but I am less sure if you also find it as difficult, thus I am inclined to feel that I am likely worse than you at the task. The result is that some sectors – restaurants and bars, for example – that are perceived as easy, have significant excess entry, leading to high failure rates. Essentially, entrepreneurs neglect to take into account the competitive landscape, and when they do account for it, they do so in systematically biased ways. It is as if we cannot help but overly focus on our own performance in the task at hand, when we should be giving more weight and more attention to the performance of our potential competitors.”

For female entrepreneurs, this phenomenon of “competition neglect” has important implications. Research has shown that in certain circumstances, women show less “competition neglect” compared to men. In one experiment, men and women were set a task to add numbers and told that they would be paid a certain amount for each correct calculation. In the next round of the same task, they were told that they would be competing in a tournament, and would be paid more for each correct solution if they won the tournament, but nothing if they failed to solve more problems than other participants. When the researchers then offered participants the opportunity to choose between either model in the next phase, the researchers found that women were 38% less likely to choose the tournament setting²⁰.

This tendency for women to avoid competition may mean that they are more likely to favour sectors that suffer from excess entry and avoid those that do not. Yet, these popular sectors are likely to be the most competitive of all, simply because so many people choose them on the assumption that they are “easy.” This highlights the importance for entrepreneurs to think carefully about the competitive environment they are likely to face, and perhaps consider adjacent sectors, where they can still apply expertise but where the problem of excess entry may not be so acute. “Although individuals in general will avoid tasks that are more difficult, women may be more prone to this because of their propensity to avoid certain competitive environments,” says Professor Cain. “If women can leverage their ability to perspective-take and to “get inside the heads” of their competition, they can rectify many of these problems.”

They may also perceive less value in failure. Compared with men, women respondents in our survey are less likely to agree that past failure in entrepreneurial endeavours increases the chances that a new business will succeed, and are less likely to say that they have learned more from failures than successes (see chart 7). This has implications for the way in which women think about risk, because if they perceive less value in failure, they are less likely to draw lessons from it, and this may mean that risks look less attractive than they would to someone who embraces and learns from their mistakes.

Vivek Wadhwa, a technology entrepreneur and academic, argues that one reason for these differences is how business failure may be perceived. “Entrepreneurship remains a male-dominated environment and I don’t think women are able to get away with failure in the same way as men,” he says. “Men can go around talking about failure as a ‘badge of honour’ but if a woman tried to do that unfortunately it would not be perceived in anything like such a positive light.”

Often, however, failure can be a major source of information, helping entrepreneurs to refine their vision, address shortcomings and increase the overall strength of their business. “Failure does make you more resilient because you learn from your mistakes,” says Tamara Heber-Percy, co-founder of Mr and Mrs Smith, a boutique and luxury hotel bookings company. “The worst thing you can do is fail and make the same mistake again.”

Risk-taking is an integral aspect of entrepreneurship and anyone who starts a business must be willing to take risks in order to achieve rewards. One characteristic of women, however, is that they are likely to spend longer evaluating risks and considering the evidence before reaching a decision. “The female brain is naturally more big picture oriented, which means women are less transactional in nature, and are naturally going to think much longer and much harder about doing something,” says Barbara-Ann King, Barclays Wealth and Investment Management. “That obviously can hinder their success because they miss opportunities and somebody else may get there first.”

This has implications for how entrepreneurs choose the teams around them. A woman who knows she is risk-averse will find it beneficial to have someone on her team who tends to focus more on the opportunities or upsides. “You want to have men and women involved in all sorts of decision-making as they naturally have different perspectives,” says Dr. Haisley. “It’s important to be aware of your own propensity for risk and other factors and surround yourself with people who are different. It’s not a matter of having male opinions and female opinions; it is a matter of increasing the likelihood of having diverse opinions feed into decisions.”

Chart 7
Valuing Failure

Past failure in entrepreneurial endeavours increases the chances that a new business will succeed.



I have learned more from my failures than my successes.



Failing to get what you want can be valuable.



How likely is it that you would hire a failed entrepreneur?



0% % Agree 100%

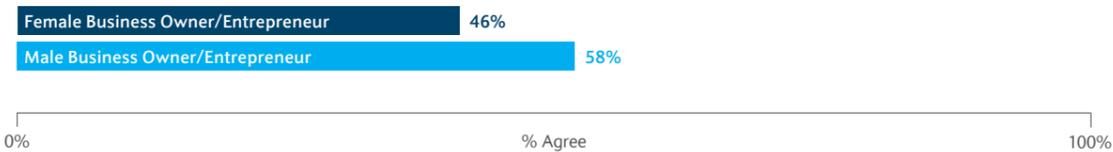
Key
 ■ Female Business Owner/Entrepreneur
 ■ Male Business Owner/Entrepreneur

Source: Ledbury Research

Opportunity in a crisis

Chart 8
Opportunity alert system

The recent global financial crisis has provided me with opportunities



Source: Ledbury Research

In the current economic climate, many large multinationals are extremely reluctant to invest, preferring instead to rebuild balance sheets and await a more favourable environment. According to the Ernst & Young ITEM Club, an economic forecasting organisation, public companies in the U.K. are currently sitting on more than GBP£729 billion in cash, which is equivalent to nearly half the U.K.'s total gross domestic product²¹.

Entrepreneurs, however, often think differently — and are more likely to align with the Warren Buffett adage of being “greedy when others are fearful and fearful when others are greedy.”²² Although an economic downturn often means that credit is scarce and customer demand depressed, leading to a higher rate of early-stage business failures, entrepreneurs can also benefit from less intense competition, potential discounts from suppliers and cheaper assets, such as office space. Business formation during downturns has been a feature of all previous economic crises. Some of the greatest companies of the 20th century were founded in the Great Depression, including Xerox, Revlon and Hewlett-Packard.

Being able to spot opportunities among the challenges is therefore a very valuable trait for an entrepreneur. Yet it is one that, in general, women respondents in our survey seem less likely to possess. Among the entrepreneurs surveyed for this report, 58% of men say that the global financial crisis has provided them with opportunities, compared with 46% of the women (see chart 8).

Management styles

Strong people skills are integral to the success of any venture. Turning vision into reality requires the entrepreneur to cajole, convince and persuade their audience, which might include customers, investors, employees and suppliers. “Women are fantastic communicators and great at expressing themselves but I don’t think they often realise that this is such an important part of entrepreneurship,” says Babs Carryer, Adjunct Professor of Entrepreneurship, Carnegie Mellon University. “The myths of the start-up are very testosterone-driven and they tend to see entrepreneurship as being all about coding software or tinkering in a garage.”

This ongoing need for communication requires a management style that is highly collaborative and, in general, this is an area where women excel. “Although it’s important to stress that many men have the same skills, I do observe that often women are good at attracting talent and building a team that will be loyal to the mission,” says Ms. McCarthy. “They are good at cultivating potential customers and will often have a very well developed sense of empathy about why they may want a particular product.”

Equally, however, entrepreneurs need the confidence to make tough decisions — being collaborative 100% of the time is unlikely to work. “It’s important to recognise when you need to step up and take control, because every decision cannot be a group one,” says Ms. McCarthy.

A 2008 study from McKinsey, entitled *Women Matter*, found that women were more likely to emphasise people development, being a role model and defining expectations and rewards as part of their leadership behaviours. Men, by contrast, tend to focus on individualistic decision-making and monitoring performance²³. “Whereas men are better at the command and control style of management and being assertive, women tend to be more collaborative in their leadership style,” says Dr. Haisley.

This affects how they perceive others around them. Our survey shows that, although women are less likely to say that they learn from their own failure or believe that it increases the chances of future success, they tend not to judge people who fail negatively. They are, however, less likely than men to hire a failed entrepreneur.

²¹ Ernst & Young ITEM Club, November 2012.
²² Berkshire Hathaway, Letter to Shareholders, 2004.

²³ “Women Matter 2: Female leadership, a competitive edge for the future,” McKinsey & Co, 2008.

The performance toolkit

There is clearly much work to be done to support the growth of female entrepreneurship. Removing the barriers, and giving them the skills that they need to turn their ideas into successful new ventures, should be a priority for governments that continue to face economic challenges. “There is a real opportunity here for women in particular to contribute to the economy, but there’s a lot of work to be done in terms of the toolkit they need,” says Ms. King.

Financing

Insight from our panel shows that women find it more difficult than men to raise finance for their ventures. One common problem can be that new female entrepreneurs lack the track record to attract this kind of investment, or have fewer assets to provide as collateral. Yet one should also not forget that women tend to be more conservative than men, and therefore less willing to borrow or seek equity funding to finance growth. “Women tend not to ask for funding in the same way,” says Lynne Franks, a business woman, author, broadcaster and speaker, and founder of B.Hive, a series of women’s business lounges and hubs. “It is not always because the women are turned down; it is often because it is their choice not to take huge risks.”

Nevertheless, access to finance remains a key stumbling block for first-time female entrepreneurs in particular. Professor Carryer argues that part of the problem is a lack of female investors among venture capital and private equity firms. One study found that, at nine out of the ten largest U.S. private equity firms, women account for an average of just 8.1% of senior executives²⁴. “The investment world is largely comprised of middle-aged men, and they tend to invest in companies run by younger men,” she says.



²⁴ “Romney’s LBO World Is Boys’ Club With Few Top Women” by Devin Banarjee, *Bloomberg* August 31, 2012.

Ms. Patel argues that women often are too honest in exposing their weaknesses when meeting investors, which can also cause problems. “Women find it natural to tell investors their life story and areas where they need help and most traditional investors view that as a sign of weakness, so their business plans get dismissed,” she says. “But I would argue that the weaknesses exposed by the women can be seen as a sign of strength in due diligence because they pinpoint some of the areas that may need extra scrutiny. The key thing for me is that the idea is good and scalable and that you have a management team that can deliver it. You can always bring people in to fill specific gaps in capabilities.”

A male-dominated investment world makes it particularly difficult to attract funding for certain types of investment, such as female healthcare or baby gadgets, which the typical male venture capitalist may not understand. “There’s often a perception that products like a new nappy rash cream are woolly ideas and that can make it difficult to attract investment from traditional houses,” says Ms. King. “When in fact, these are serious innovations that very often go on to make millions — provided they can get the opportunity of funding that they need.”

Shalini Khemka, Chief Executive Officer of the E2Exchange argues that, in order to maximise their chances of securing funding, women need to have an incredibly deep knowledge of their business. “You need vision and a clear understanding of where you will be in the future,” she argues. “You need to manage cash flow and costs, and understand how the competitive landscape is changing.”

Partly to overcome this challenge, a number of female investors have established venture capital funds that specifically target female-led businesses. Among the first of these was Trapezia, a GBP£4.5 million fund set up by Gita Patel of Stargate Capital to invest exclusively in high-growth women-focused businesses.

Golden Seeds, which was founded in 2005 to help empower female entrepreneurs and the people who invest in them, was founded around similar principles.

The growth in available funds is a positive development, but Ms. Patel argues that there is still a shortage of investment that meets the needs of female entrepreneurs. “In the U.K., 95% of business angels are men and 5% are women and yet we see many more women becoming more affluent, often from having exited a businesses,” she says. “The problem is that we do not see the woman’s pound working for women in the women’s market.”

One reason may be that business angel investing, which is at the higher end of the risk spectrum, may not be consistent with the risk tolerance of many women. To get around this, Ms. Patel highlights a growing trend for women to form investment syndicates to share risk and reward. “Instead of a single woman putting in GBP£100,000, you get ten women putting in GBP£10,000 each as a way to mitigate risk through a broader network. Women should also be aware of tax incentives for investments.”

As well as helping to address a glaring market inadequacy, investing in female-led companies makes sound commercial sense. Companies that have a high proportion of top executives who are female tend to outperform those that are predominantly male. According to a 2007 report from the consultancy McKinsey, companies with the highest level of gender diversity in their top management team outperformed their sector in terms of return on equity and stock price growth²⁵.

There is also evidence to suggest that women make better use of the investment they receive. The Kauffman Foundation has shown that female-led hi-tech companies typically launch with between 30% to 50% less capital than similar businesses launched by men. They also find that the performance of these companies is on a par with the male-led, more capitalised companies.

From microfinance to venture

Over the past decade, microfinance has achieved considerable success in giving women in emerging markets access to financial services. A 2009 report from the United Nations found that microfinance organisations provided financial services to 145 million people, of whom 107 million were among the poorest microfinance clients when they first received their loan. Women comprised 83.4% of the latter group²⁶. “Microfinance has had an incredible reach in emerging markets and women in particular have been beneficiaries of this model,” says Ms. Patel.

There are various reasons why microfinance organisations favour women, including a development agenda aimed at correcting their lack of access to formal financial services. Research has also shown, however, that women who borrow from microfinance organisations are more likely to pay the loans back, creating a lower credit risk for the lender²⁷. “The mentality of these women is failure is not an option and success is not negotiable,” says Ms. Patel. “That means that they do everything in their power to pay back loans and avoid default.”

But despite the overall positive impact of microfinance, the concept does have its detractors. Some campaigners have argued that microfinance can trap women in debt, and that interest rates charged can be excessively high. This has led some countries, such as Bangladesh, to impose caps on annual interest rates that can be charged.

By lending only very small amounts, there is also a risk that microfinance does not enable borrowers to move beyond subsistence. Ms. Patel argues that the model needs to move on, and converge with venture funding to enable women entrepreneurs in rapid-growth markets to reach the next stage in their journey. “Microfinance has been very successful at alleviating poverty, but it leaves businesses small and we need to look urgently at a model that will help entrepreneurs take the next step,” she says.

25 “Women Matter: Gender diversity, a corporate performance driver,” McKinsey 2007.

26 2009 World Survey on the role of Women in Development, United Nations.
27 “Women and Repayment in Microfinance,” March 2009.

Explore all the options

For first-time entrepreneurs, in particular, it is important to explore all potential routes for finance. "It is essential to understand what access to finance there might be, and whether they can approach business angel investors or venture capital firms," says Ms. King. "Building a network of these providers has to be the first lesson in looking for alternative routes for funding."

In recent years, a number of innovative funding mechanisms, often delivered over the internet or via social media, have started to emerge as additional financing options for entrepreneurs. One approach that is starting to gain traction is crowdfunding, whereby entrepreneurs attract small amounts of funding or donations from individual investors, often using social media or internet channels. U.K. crowdfunding platforms include Crowdcube and We Fund, whilst the U.S. site Kickstarter, which as of January 2013 had raised more than GBP£253²⁸ million to fund successful projects, has recently launched in the U.K.

Ms. King thinks that crowdfunding, and other finance mechanisms that have emerged from social media, will become an increasingly valuable source of funding for female entrepreneurs. "We don't yet have the culture here but, in the next five years, I do see crowdfunding becoming a more mainstream financing method that will help to attract long-term investors," she says.

Whether an entrepreneur is seeking funding from venture capital funds, business angels or a bank, the key is to inspire confidence and be very clear about the merits of the business idea. "Any entrepreneur needs to explain their idea in great clarity, and be very clear about how they are going to use the money that they are requesting," says Ms. McCarthy. "When an entrepreneur is presenting to a group of potential investors, it's really important for them to remember that those people may be sitting there thinking about writing a personal cheque. So they have to win them over so that they feel this is someone that they really want to back because they believe they will succeed."

Mentoring: quality, not quantity

Compared with a decade ago, female entrepreneurs now have many more role models to emulate, from Michelle Mone, founder of Ultimo, to Chrissie Rucker, founder of the White Company. But for aspiring female entrepreneurs, there is still a severe shortage of experienced women who can provide mentoring to help develop the next generation.

James Lohan, co-founder and CEO of Mr and Mrs Smith, argues that mentoring is crucial for any entrepreneur. "It's incredible how similar businesses are in one way or another, so guidance through mentoring can be very powerful," he says. "But too much guidance and you tend not to break the rules. You have to be very careful that you don't get people dampening your enthusiasm. You need a mentor to help you with the bear traps that are out there, rather than the day-to-day stuff."

Around the world, a number of governments are taking steps to strengthen the availability of mentoring for female entrepreneurs, in particular. In November 2011, the U.K. Home Secretary Theresa May unveiled plans to fund the training of 5,000 volunteer mentors to female entrepreneurs. In the same month, the European Commission established its European Network of Mentors for Women Entrepreneurs, with mentors representing 17 countries who will provide advice and support for female business owners.

But for Ms. Patel, what matters is not the quantity of mentors available, but the quality of the advice they provide. "If mentors do not have a stake in the business, they can mean well but the danger is that there is no benefit for the entrepreneur," she says. "Entrepreneurship is a lonely journey, which means that women really need good advice and someone who can open doors for them."

Networking

Networks can play a vital role in helping entrepreneurs access the advice and support that they need to start and grow their business. Research from the Global Entrepreneurship Monitor found that entrepreneurs with wider and more diverse networks tended to report greater levels of innovation, entrepreneurship and growth expectations. Yet in general, women tend to have smaller, less diverse networks than men and tend to seek advice only from individuals with whom they have personal relationships, such as spouses²⁹.

The first step is to understand what support is available. “If you are able to get into the right network, or have been down the same path it makes it much easier,” says Ms. Khemka. “There is plenty of advice around, but the question is who to go to and how much do they charge. It’s essential to build connections with others who have done it before.”

“It’s an extremely important skill to be able to build a network because you don’t know when you’re going to need it,” says Professor Carryer. “Entrepreneurs need to build the network before they need it, knowing that they are going to call on certain people for advice at some point in the future. Women are good at that because they understand how to ask for help and support and refer people on and not really care if there is payback.”

The ease with which female entrepreneurs can access networks varies according to the sector and region. Historically, one of the most difficult has been Silicon Valley, which has long been accused of being a male-dominated world. One 2011 study found that almost 40% of the tech firms in Santa Clara County had no women on their boards of directors or in the top five highest-paid positions³⁰. “Silicon Valley’s biggest advantage is its network, but it remains a very male dominated world that women can find difficult to access,” says Mr. Wadhwa. “That puts female entrepreneurs at a disadvantage because they need to break into these networks and do not have their own.”

In an entrepreneurial context, a network should be much more than a bulging contacts book. This means that women need to think strategically about their network and determine how they can provide mutual assistance to their connections. “You need to be clear with what you’re trying to accomplish by getting to know people in your field, or people in other organisations who might be helpful to your business,” says Ms. McCarthy. “Often, it’s not good enough just to get to know people. It’s important for that relationship to get to the point so that it’s productive rather than more and more names in your database.”

So should women seek out female-only networks as the best forum for sharing ideas and finding support? Here, our panelists offer mixed views. “As women face similar issues, particularly around family dynamics, there is a lot of benefit around being in female-only networks to have the opportunity to discuss issues that they perhaps wouldn’t talk about with men,” says Ms. Khemka.

But Dr. Sally Ernst, a serial entrepreneur and Co-Founder and Joint CEO of CloudStaff, takes an opposing view: “Creating silos by gender does not make sense because men and women need to do business together,” she says. “We cut down our pool dramatically if we only network with females.”

A more balanced approach, then, is to use women-only networks to achieve some benefits, but to also take a much broader approach and use mixed gender networks to provide a more rounded perspective. “Ideally, you would find time to participate in both,” says Ms. Khemka.

The power of networks

Lynne Franks is the founder of Sustainable Enterprise and Empowerment Dynamics (SEED), a provider and community for women’s learning and coaching programmes on economic empowerment, sustainable business practices and creative leadership. In 2020, she founded B.Hive, a network of women’s business lounges and hubs, in collaboration with the Regus Group.

How important are networks for female entrepreneurs?

“There are networks starting all the time for women at a regional, national and even global level. It is a very natural way for women to develop their business through networking. At B.Hive, we have found that women support each other. We have peer support groups and we have women coming in and teaching other women and in return being taught other skills. So somebody who is a social media specialist would come in and do a workshop and then, in return, they would go to a workshop about handling money better.”

Is training an important part of these networks?

“Training can be very valuable. For example, it’s useful for some women to become a bit more linear in their thinking, without sacrificing the creative side of their planning and strategising. Technology is also a vital area for training, whether you are a 25-year-old starting an online fashion business or someone in their 50s wanting to sell online. It’s also important to understand how to work internationally, how to use social media, and how to work with the community. But the most important thing training and networks can give women of all ages is helping with their self-esteem and self-confidence.”

“For the more disadvantaged women, it is the practical skills that matter. I am looking at starting a chain of women’s community cafés which teach healthy nutrition and lifestyle skills. And acknowledging certain things women do very intuitively, such as bartering or exchanging information can be useful professional skills. But women do need more help with the financial side, and in a language that doesn’t frighten them off.”

“Training does not always work as it very much depends on the language and quality of the programmes. Outside help is something that has always worried me, when money is put into training programmes that don’t end up being very good. All too often, women were being patronised, or the courses didn’t speak in the language that women recognise.”

²⁹ Moore, Gwen. 1990. “Structural Determinants of Men’s and Women’s Personal Networks,” *American Sociological Review* 55: 726-35.

³⁰ “Tech sector’s glass ceiling,” by Steven C Currall, *San Francisco Chronicle*, July 19, 2012.

Conclusion

We believe that the issue of the entrepreneurial gap between men and women is one of increasing pertinence, which is why we have chosen to shine a light on this matter through this report.

The failure to provide the necessary tools, information and support to women entrepreneurs means that thousands of great business ideas may never become a reality. Much-needed jobs may never be created, innovations that could improve our lives could never leave the drawing board and tax revenues might not be collected. At a time when many countries face the prospect of slow growth for years to come, we need to foster innovative new business ideas to kick-start economic growth. By increasing rates of female entrepreneurship, societies stand a better chance of nurturing new ventures that are primed for future success.

This is not just a matter of creating equal opportunities for women. Research has shown that businesses with a strong female representation on their management team outperform those that have a one dimensional leadership. Our report draws a similar conclusion, showing that women figure prominently among the most successful entrepreneurs, despite low rates of overall entrepreneurial activity. Encouraging women to start businesses therefore makes strong economic sense as their chances of success, in relative terms, are high.

To champion and support female entrepreneurs, we need to give them access to the right toolkit for success. This comes down to ensuring that women have the appropriate investment support needed to launch and grow their business and, more broadly, guaranteeing that they have the right networks, advice and information.

With this toolkit in place, we stand a much better chance of increasing the levels of female entrepreneurship across the globe. By giving all aspiring entrepreneurs an equal opportunity to grow their business, governments could bring about meaningful change to the current business landscape and galvanize economic prosperity. In turn, we have the valuable opportunity to inspire the future generation of successful business owners.

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Contact us

For more information or to be involved in the next report, email insights@barclays.com
Tel. 0800 851 851 or dial internationally +44 (0)141 352 3952

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