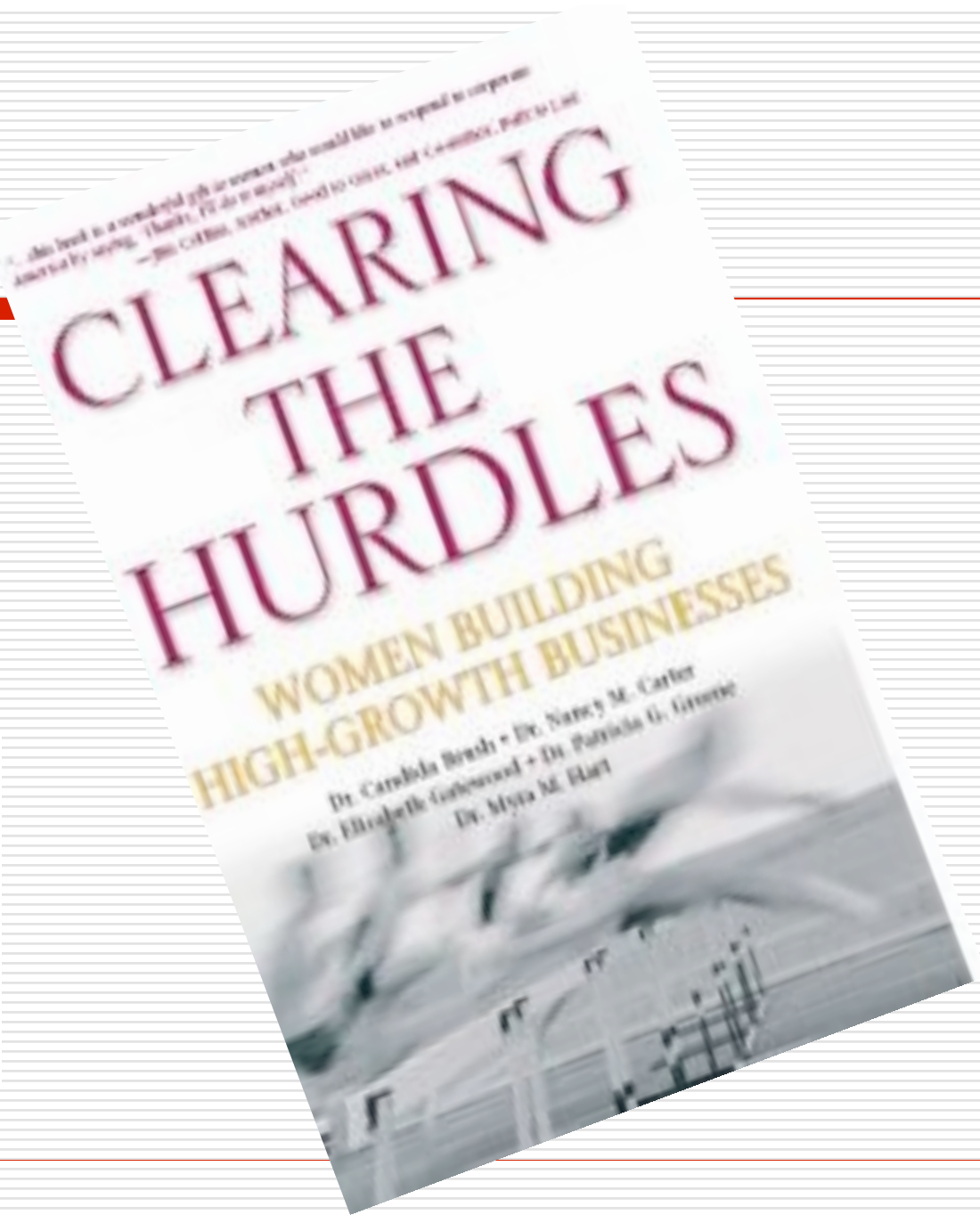


ESBRI & Connect Sweden Forum

on Female Entrepreneurship



Stockholm
December 2007



The Diana Project

- *A multi-university longitudinal research program to determine and influence the factors that lead to high growth women-led ventures*

Dr. Candida Brush, Babson College

Dr. Nancy Carter, Catalyst, Vice President of Research

Dr. Elizabeth Gatewood, Wake Forest University

Dr. Patricia Greene, Babson College

Dr. Myra Hart, Harvard Business School



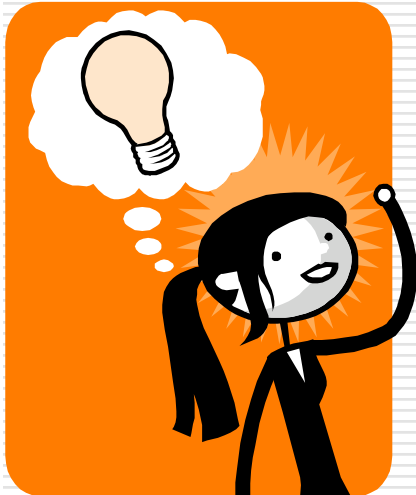
Entrepreneurship...

The *pursuit* of

opportunity

**without regard to *resources*
currently controlled**

US Women Business Owners 2005



- ❑ One in 18 women in the U.S.
- ❑ 10.6 million privately-held
 - at least 50% ownership
- ❑ 48% of all firms
- ❑ 19.1 million employees
- ❑ \$2.46 trillion revenues

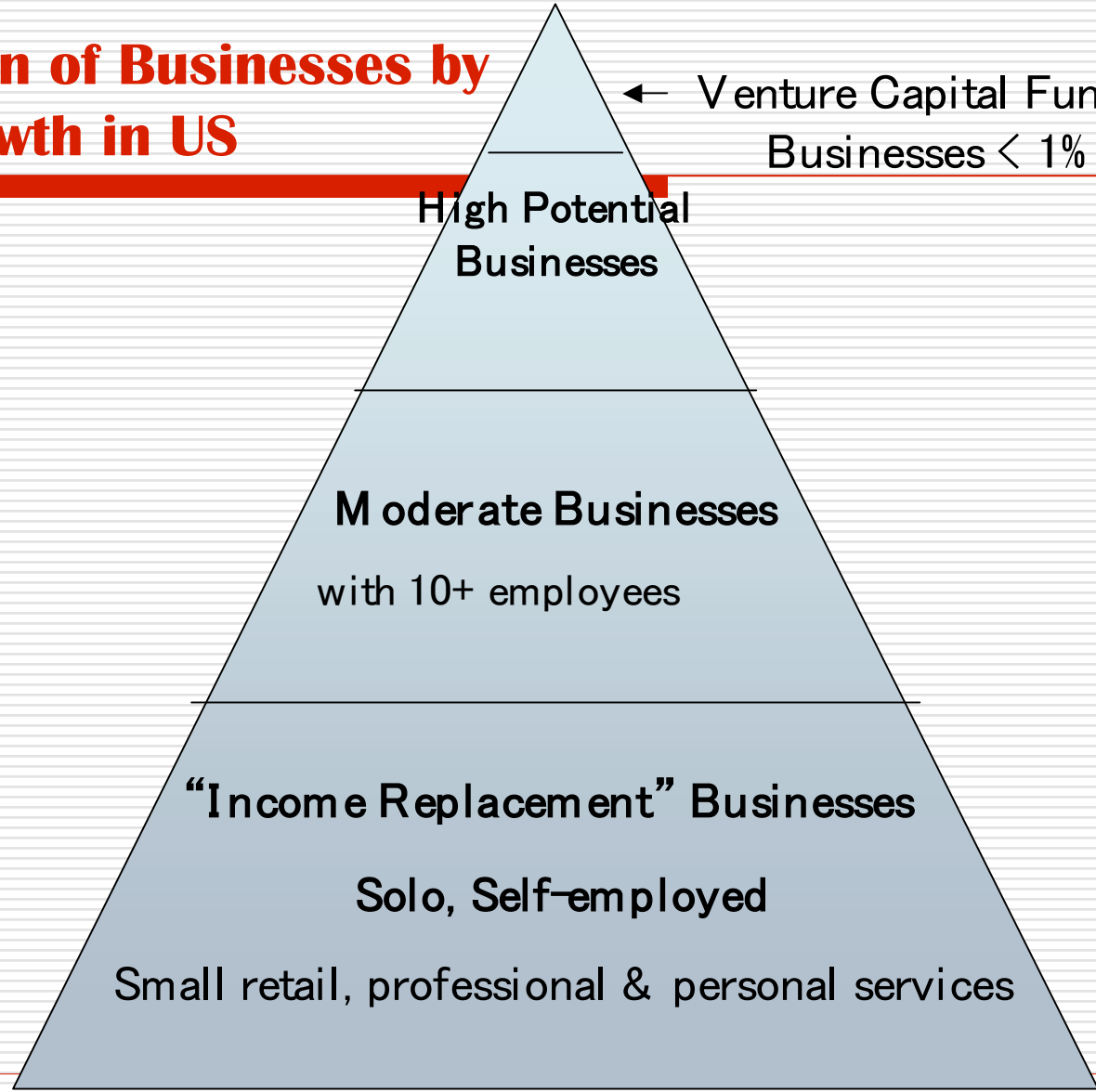
Data provided by Center for Women's Business Research

Women's Ownership Growth in USA

- **Faster growth than entrepreneurial economy**
 - **1997-2004**
 - **17% growth in Women Owned Businesses**
 - **9% growth for "All"**
 - **1997-2004**
 - **39% revenue increases**
 - **34% for all businesses**
-

Distribution of Businesses by Size & Growth in US

← Venture Capital Funded
Businesses < 1%



Growth is a major issue...

□ Size of women owned businesses



50%+ WOB

\$151,130

50%

\$259,236



50%+ MOB

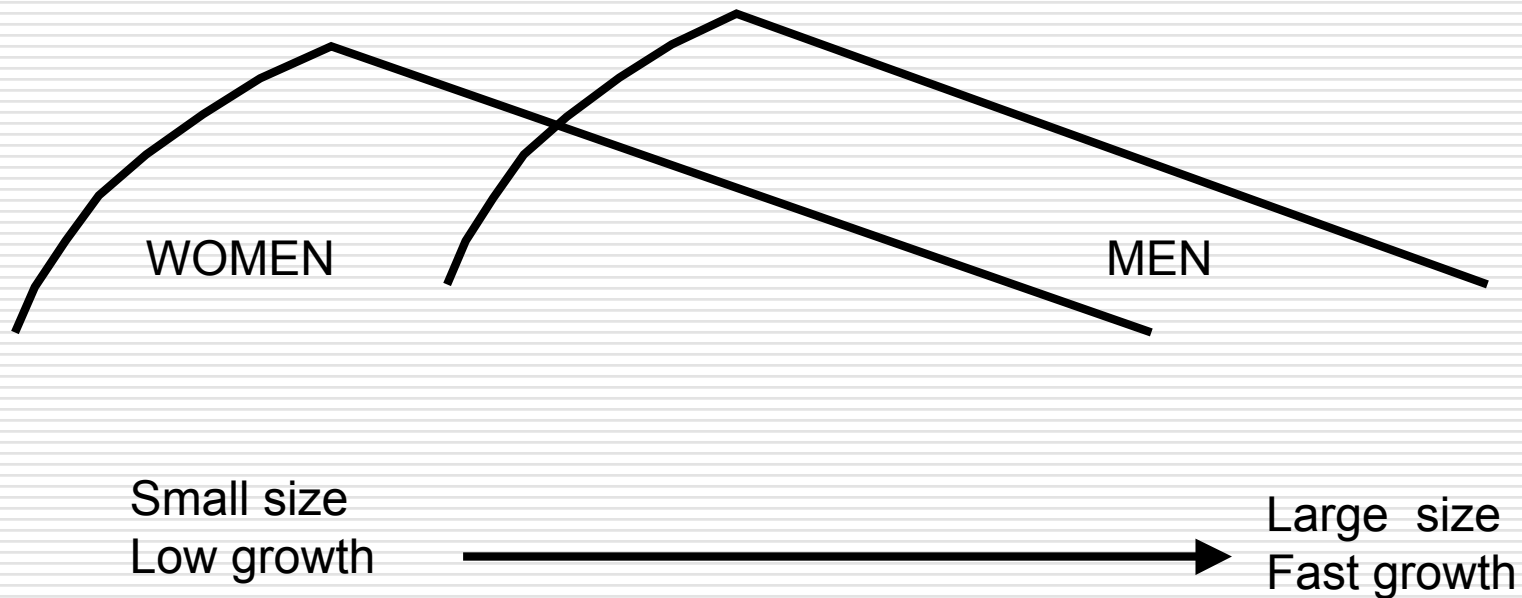
\$582,450

Million Dollar Babes



- Women own only 6.6% of US Businesses with > \$1 million revenues
 - 73% of these women started their firms from scratch
 - (compared to 60% of men in this bracket)
 - 56% use commercial debt to fund growth
 - (compared to 71% of men)
-

Distribution of Men and Women Owned Firms by Size and Growth

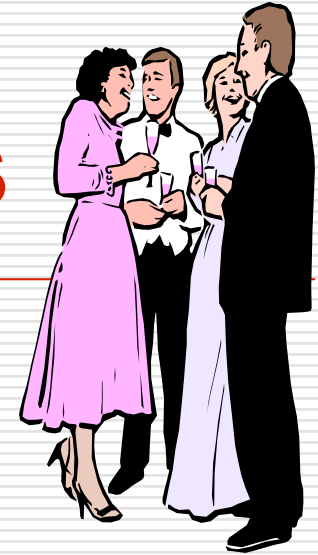


Women-led Ventures

Are much smaller than those owned by men

Very few women break out of the mold

Reasonable explanations



- **Motivations & goals**
 - **Strategic choices**
 - **Industry & Growth**
 - **Training - Education & Experience**
 - **Critical Resources**
 - **Social networks**
 - **Access to capital**
 - **Ability to build strong team**
 - **Competing demands**
-

Framework for research

Review of Business, Psychology,
Sociology, Economics Literature

Strategic Choices

Human Capital

Social Capital

Financial Capital

Structural Barriers

Working Model for High Growth Firms

Financial Suppliers

Financial Capital

Social Capital

Human Capital

Personal Goals

Financial Providers
Strategic Choice

Context

Facilitators

DEAL

Structural Barriers

Entrepreneurs

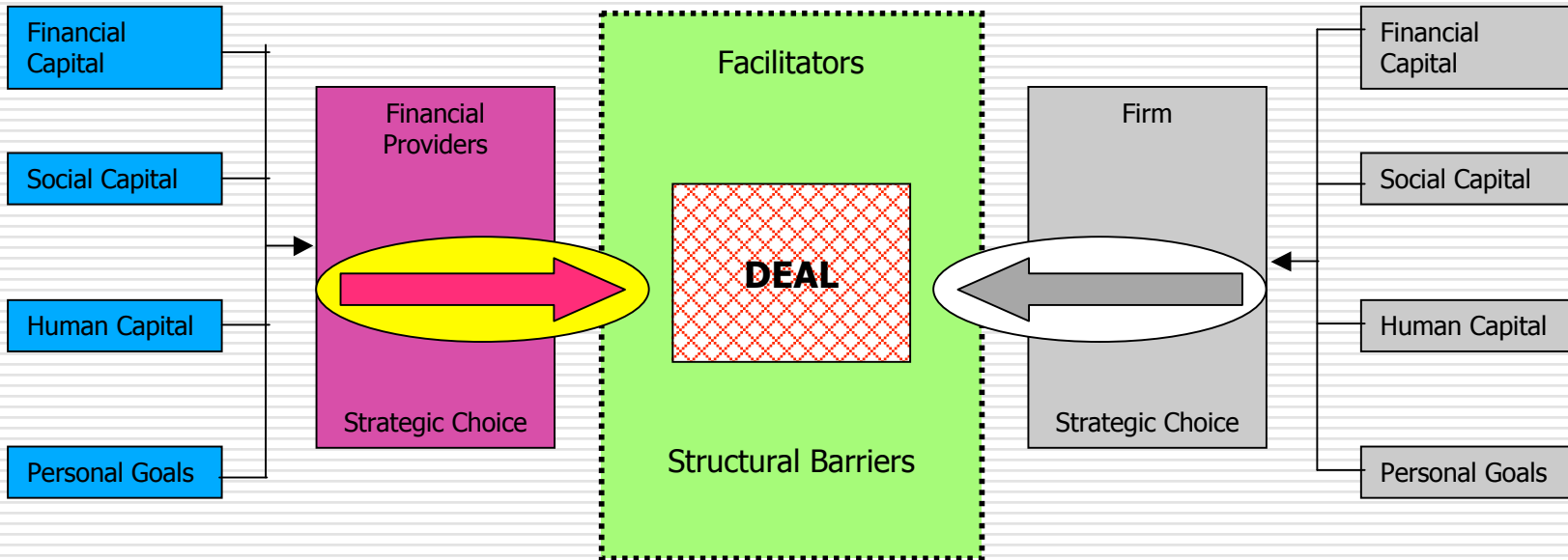
Financial Capital

Social Capital

Human Capital

Personal Goals

Firm
Strategic Choice



Strategic Choices

Underlying motivations for starting new ventures

- **Financial success and innovation not main drivers**
 - **Flexibility, control, and family-work balance important**
-

Strategic Choices - Industry

Industry, business models, growth strategies

- **Over-represented in services and retail**
 - **Easier to enter, require less capital**
 - **Seen as female - appropriate**
-

Implications of Industry Choice

- Service and retail - highly competitive**
 - Survival rates are lower**
 - Lower growth rates and profitability**
 - Difficult to secure external financing**
-

Strategic Choice – Business focus

- **Women put more emphasis on quality**
 - **May increase survival rates**
 - **Slows growth rate**
-

Strategic Choice – Growth Goals

- **More likely to have smaller size aspirations**
 - **Build long-lived organizations**
 - **Maintain control –**
 - **limit #, kind of partners**
 - **Finance internally**
-

Resources: Human Capital

- Education**
 - Experience**
 - Industry**
 - Function**
 - Pay**
 - Management responsibility**
 - Entrepreneurship, start-up**
-

Human Capital

- ❑ Educational specialization
 - ❑ Prior paid employment – effects on social and financial capital available
 - ❑ Entrepreneurs – often repeat
 - ❑ Industry experience – provides knowledge, contacts, credibility and resources
-

Resources: Social Capital

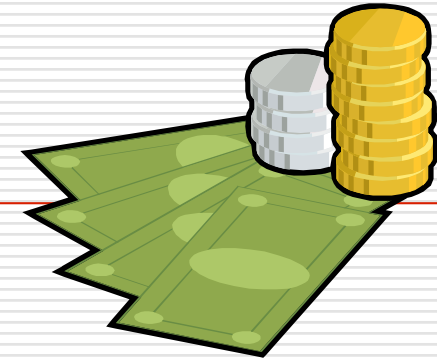
How men and women's networks differ...

- ❑ Women have more homogeneous networks - family, close friends
 - ❑ Women use their networks for information, social and instrumental support
 - ❑ Men report only men in their networks and use men for their primary contacts
-

Social Capital/Network Implications

- ❑ Businesses with less diverse networks grow more slowly
 - ❑ Social networks important to financial resources for growth
 - ❑ Women have tighter, more concentrated networks
 - ❑ Relatively few connections to financial providers
-

Financial Capital



- Less capital in starting and growing
 - More likely to borrow from family and friends
 - Prefer internal sources for growth
 - Less likely to use debt
-

Financial Capital

- ❑ Lack of capital hinders startup, survival, growth
 - ❑ Access to capital more important than intentions to grow
 - ❑ Access to formal sources more important to growth than strategies
-

Financial Capital – Structural Barriers

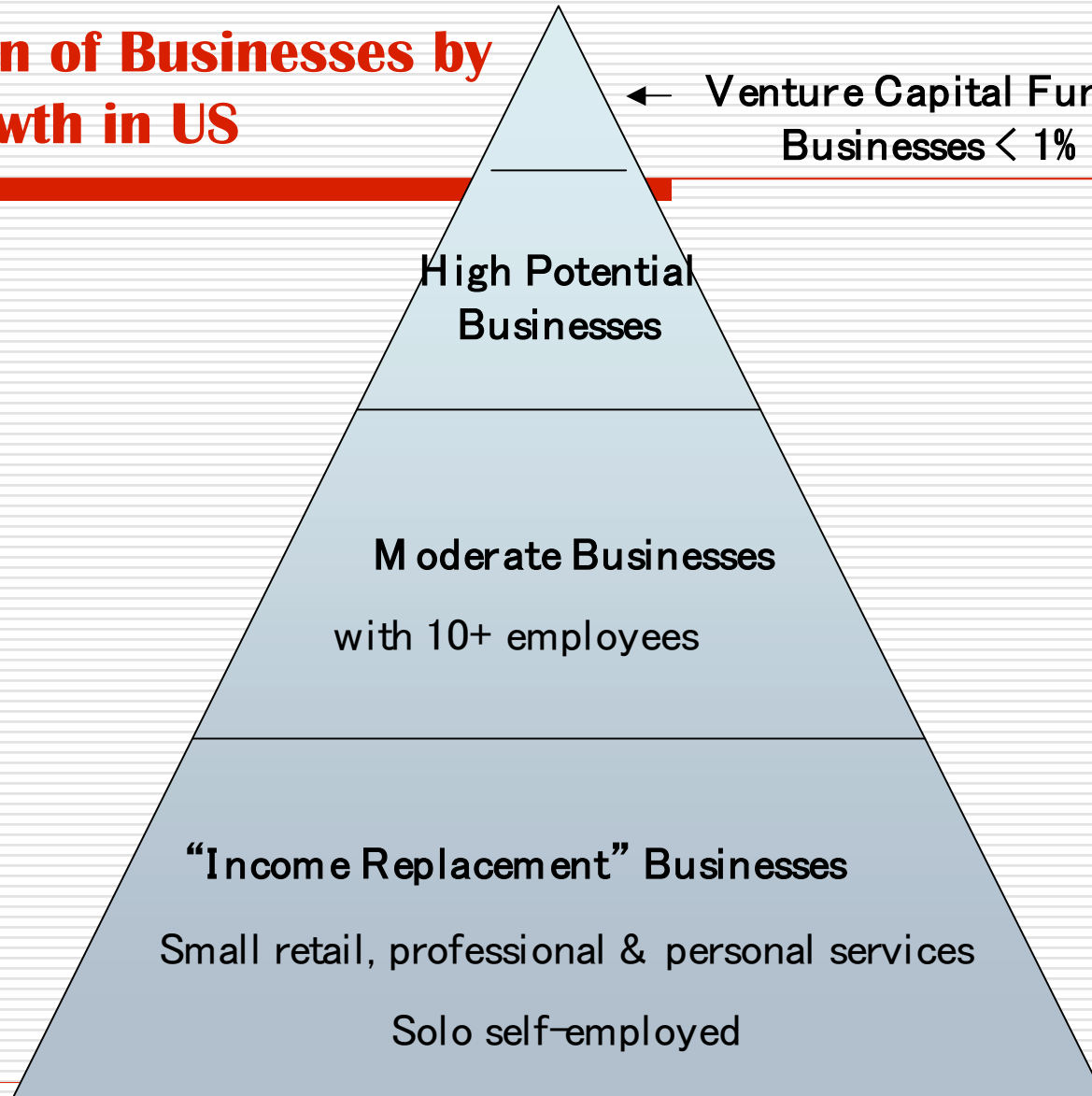
Banking

- Little overt bank discrimination
- Size, age, and industry may be more important
- Women are dissatisfied with the processes



Distribution of Businesses by Size & Growth in US

← Venture Capital Funded
Businesses < 1%



Equity-based Financial Capital

Big questions:

What is the *supply* of and *demand* for equity capital for women-led ventures?

How do *growth models* in male and female-led ventures differ?

Sponsored by The Kauffman Foundation, US Small Business Administration, National Women's Business Council, Swedish Institute for Small Business Research (ESBRI)

Women as Consumers of Equity Capital

1991-1996: Only 2% of the \$33b invested went to women-led firms (Stout, 1997)

1990-1998: Women received less than 5% of all venture capital investments (Brush, Carter, Greene, Gatewood, Hart, 2001)

1998: Women received less than 9% of equity dollars (VentureOne, 2001)

What We Found

- Firm size and industry sector related to equity financing
 - Info tech
 - Manufacturing
 - After controlling for size & industry:
 - Human Capital (prior start-up experience and graduate education) related to equity financing
 - Social Capital not related to equity financing
 - Financial Capital (personal sources) related to equity financing
-

Financial Capital

Structural Barriers

Equity markets are virtually closed

Less than 5% of US equity investments go to women

- ❑ Women VC s are less than 10% of decision makers
 - ❑ Between 1995-2000, women VCs were twice as likely to exit industry
-

Women as Entrepreneurs

- “Glass ceiling” encourages women to strike out on their own
 - But timing, tools, strategies & resources may be limiting factors
-

High-Growth Women Owners

- ❑ Younger
 - ❑ More highly educated and experienced
 - ❑ More technical education
 - ❑ More diverse industry choices
 - ❑ Higher growth intentions and strategies
-

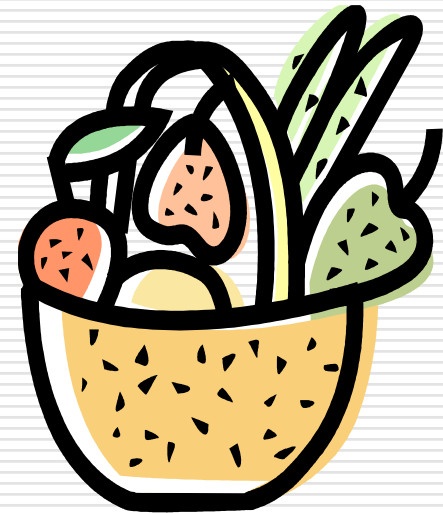
Recipes for

Successful Entrepreneurship

Recipe for a high potential business

□ Ingredients:

- 1 great concept
- 1 scaleable business model
- 1 practical operating plan
- A pinch of inspiration
- 2 or 3 committed partners
- Cups of cash



Recipe for a high potential business

- Combine all ingredients in high growth industry
- Mix thoroughly
- Let sit overnight (or longer)
- Turn out and knead carefully
- Bake in pre-heated economy
- Test often
- Garnish with optimism and enthusiasm
- Serve generously



Recipe for a high potential business

- As with any good recipe...
 - It never comes out exactly the same
 - Experienced cooks seem to get the best results
-

A recipe for growing your business

Develop & Maintain focus

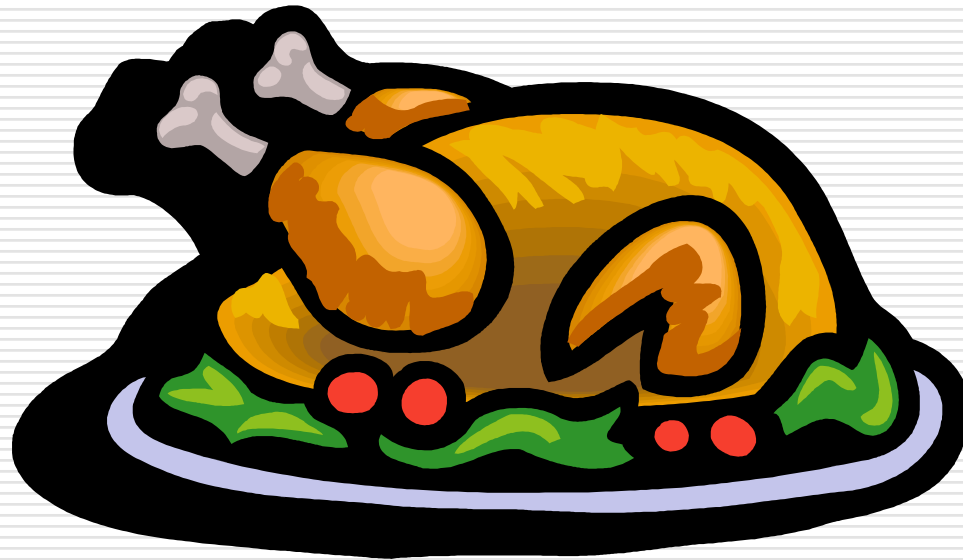
Acquire relevant capabilities

Build scaleable model

Practice adaptability

Celebrate

- You will be feasting on the results..



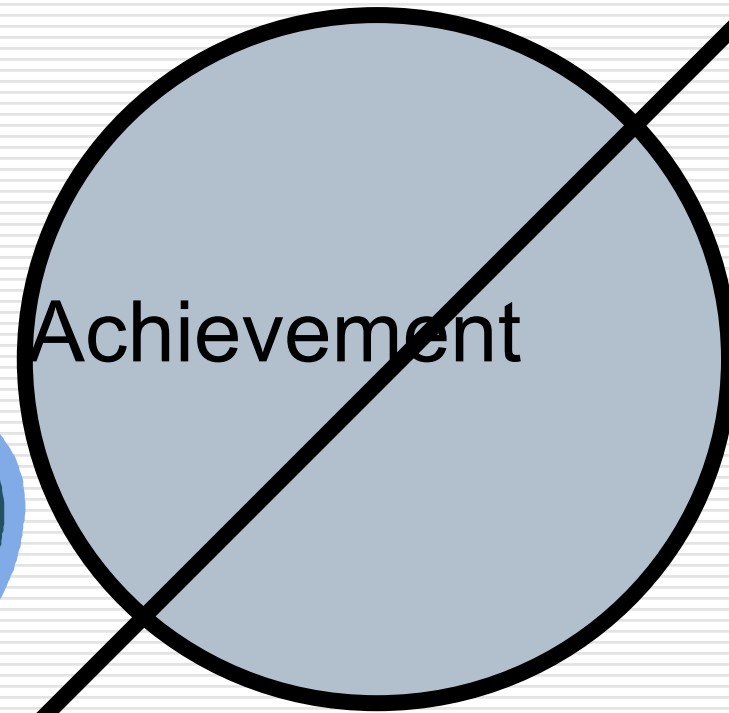
But success is not so simple



Success

- ❑ The favorable or prosperous termination of attempts or endeavors; the attainment of wealth, position, honors.
(Webster's encyclopedic unabridged dictionary)
 - ❑ Implies goals and positive completion
 - ❑ Ability to identify
 - What to aim for
 - When you've reached "enough"
-

One target gets all...



Achievement

Success

- Personal
 - Unique
 - Involves many others
 - Comprehensive
 - Multiple dimensions
 - Enduring
 - Consistent values
 - Adaptive
-

The Four Satisfactions of Enduring Success

Establishing your values or accomplishments in ways that help others find future success

Legacy
continuing

A positive impact on people you care about

Achievement
getting, winning

Significance
giving

Accomplishments that compare favorably against similar goals others strive for

Happiness
enjoying

Pleasure or contentment in/about your life

To achieve enduring success

Most people need...

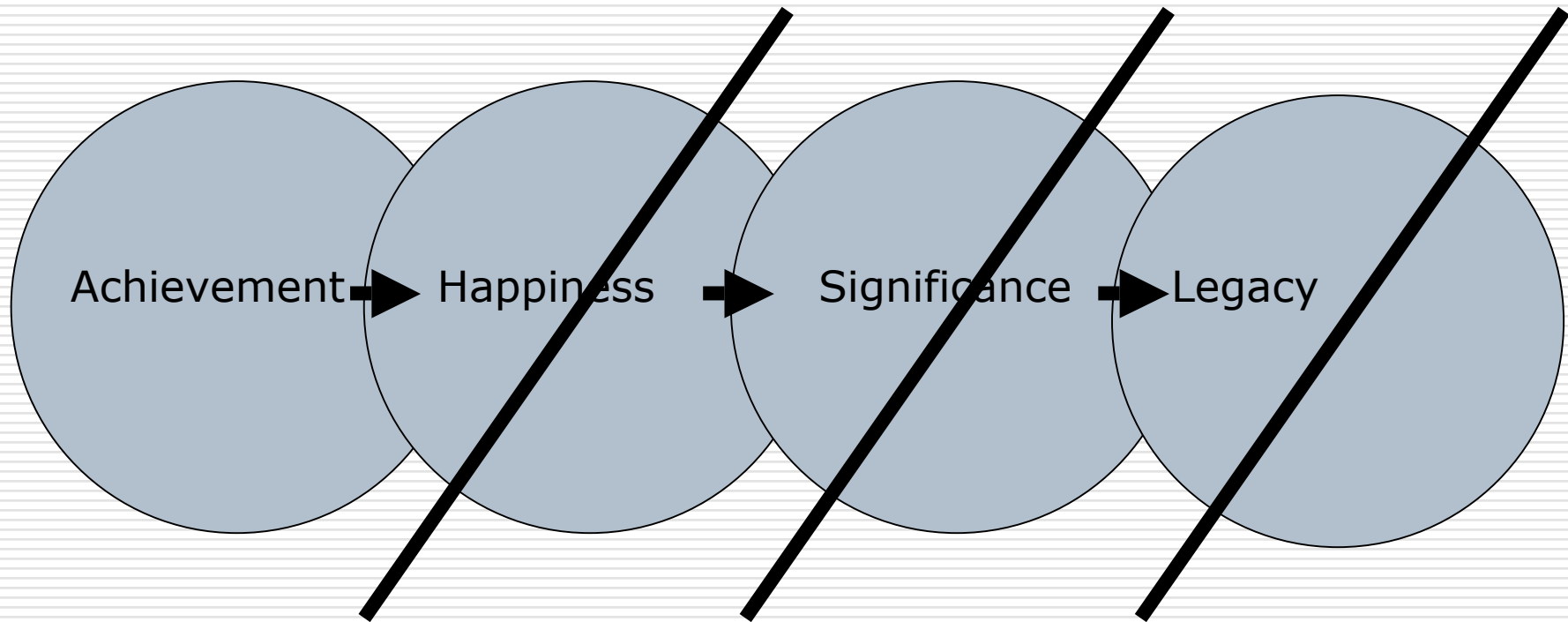
All four kinds of satisfaction

Most of the time

In all parts of their lives

**Framework for ordering and connecting
the pieces**

Sequential success



The Four Satisfactions of Enduring Success

Establishing your values or accomplishments in ways that help others find future success

Legacy
continuing

A positive impact on people you care about

Achievement
getting, winning

Significance
giving

Accomplishments that compare favorably against similar goals others strive for

Happiness
enjoying

Pleasure or contentment in/about your life

Mapping Success

Opportunities	Happiness	Achievement	Significance	Legacy
Business		XXX		
Volunteer	XXX			XXX
Family			XXX	XXX
Friends				
Self	XXX			

Celebrate

Success

