

# Women in Enterprise

A report on women in small and medium enterprises in New Zealand



  
MINISTRY OF WOMEN'S AFFAIRS  
MINITATANGA MŌ NGĀ WĀHINE

Ministry of Economic  
Development   
*Manatū Ōhanga*



# **Women in Enterprise**

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enterprises in New Zealand**

**Ministry of Women's Affairs  
Ministry of Economic Development  
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## **Executive Summary**

The Women in Enterprise (WIE) project sought to gain a better understanding of women's experiences in business by:

- documenting the characteristics of small and medium enterprises (SMEs) owned by women
- identifying success factors and barriers to success for women in SMEs
- examining some of the common and unique features of women's businesses, compared with men's businesses.

### **Characteristics of New Zealand women in enterprise**

New Zealand women are less likely to be self-employed than men, however self-employment of women has increased and the gap between male and female rates of self-employment is gradually reducing. In 2006, women made up 36 percent of self-employed people.

The majority of self-employed women and men do not have employees. Women are more likely to be unpaid family workers and less likely to be employers than men. Women's businesses have slightly fewer employees than men's on average.

Asian, European and Other women are most likely to be in self-employment, followed by Māori and Pacific women. Overall, self-employed women have similar qualification levels to women who are employees, and men.

A large proportion (41 percent) of self-employed women work part-time, compared with 13 percent of self-employed men, and 33 percent of women who are employees.

Self-employed women have significantly lower annual incomes on average than self-employed men. This will in part reflect the greater proportion of self-employed women who work part-time. Even amongst full-time self-employed people, however, men still have higher incomes on average than women.

### **Is self-employment a good option for women?**

While self-employment can offer unique opportunities, it does not necessarily represent a good option for all women.

Self-employed women have lower incomes on average than women who are employees. Many women are drawn to self-employment because of the flexibility it offers. In reality however, balancing work and family is sometimes more difficult for self-employed women than for other women.

## **Key issues for women's businesses**

### ***Success factors***

Overall, the same kinds of factors (such as having a good business plan and an innovative product) are likely to lead to business success for both men and women. The different career paths taken by women and men may mean, however, that women have more difficulty getting into a position where they can be successful.

### ***Barriers to success for women in enterprise***

Women are less likely than men to be self-employed, and self-employed women have lower average incomes than self-employed men, even amongst those who work full-time.

There is likely to be a range of factors that contribute to this situation. Perhaps the most significant are the differences in work history and experience that women and men bring to self-employment. Many women also enter self-employment because it allows them to work flexibly, and therefore do not wish to work long hours on their businesses.

Women on average undertake a greater share of unpaid work, particularly caring work, and therefore accumulate less paid work experience and have more and longer career breaks. This could affect their ability to develop business-related experience and networks, gain confidence, and access debt finance, all of which can affect their success in business.

### **Information and policy gaps**

There is a need for an ongoing source of data on New Zealand businesses that includes information about both firm characteristics and the individual characteristics of business owners. The Business Capability Assessment Tool currently being developed by the Business Capability Partnership (BCP) should lead to the collection of data that enables comparisons between women's and men's businesses.

## Introduction

This report summarises the findings of the Women in Enterprise (WIE) project. The WIE project was set up in 2004 as a joint project between the Ministry of Women's Affairs (MWA) and the Ministry of Economic Development (MED).

The key aims of the project were to:

- provide a documented account of the nature, performance and status of SMEs owned and/or operated by women, and to identify success factors contributing to business growth
- establish if barriers, inhibiting factors, policy and/or research gaps exist in relation to SMEs owned and/or operated by women, and particularly Māori women.

### Why study women in enterprise?

Women are playing a more prominent role in the SME landscape. Women now make up 36 percent of self-employed people in New Zealand (Statistics New Zealand, 2007), and the proportion of self-employed people who are women is growing. It is therefore increasingly important to understand the roles women play in enterprise, the barriers to and factors in their success, and reasons for their lower average incomes.

The government's *Economic Transformation Agenda* provides a strategy for progressing towards a high income, knowledge-based economy. Increasing the productivity and success of SMEs is critical to this strategy. International research shows that the owners of SMEs are often entrepreneurial and innovative – two characteristics necessary for economic growth (OECD, 2004).

Many countries are recognising the significant contribution of women's businesses to the economy, as part of a growing understanding of the importance of SMEs in supporting growth and innovation.

The OECD has observed that governments play an important role in fostering innovation and entrepreneurial activity in SMEs, by:

- promoting a business environment conducive to growth and innovation
- supporting business assistance programmes
- supporting enterprise training, culture and education
- taking account of and supporting local and regional dimensions to enterprise development
- committing to evidence-based policy and having a strong monitoring and evaluation culture (OECD, 2004).

The WIE project contributes to two areas of government work in New Zealand, by improving our understanding of how women's experiences in self-employment impact on and contribute to outcomes for women and their businesses.

The government has set a goal of creating an economic and regulatory environment that promotes the development and success of SMEs. The aim is to remove impediments to the growth of SMEs and ensure that they are well placed to take up opportunities as they arise.

Significant effort is going into reducing the compliance cost burden on businesses and, in particular, finding least cost regulatory and non-regulatory approaches to achieving social, environmental and economic objectives. At the same time, the government believes it is important to educate business owners, including owners of SMEs on how best to manage compliance obligations and build their capability.

The New Zealand Government is also committed to achieving better outcomes for women. The Government's *Action Plan for New Zealand Women* (Ministry of Women's Affairs, 2004) identified three inter-related areas where outcomes for women could be improved: economic sustainability; work-life balance and well-being. This approach recognises that actions that improve the circumstances of women also benefit their families and the broader community.

## Information sources

The work that informed this report is outlined below.

- A review of international and New Zealand literature on women in enterprise.
- A qualitative study undertaken by MWA comprising semi-structured interviews with 29 women in enterprise and focus groups involving ten women in enterprise. These explored women's motivations for going into business; their aspirations and future goals; success factors for growth; and perceptions about barriers to achieving business success.
- Statistics New Zealand Census data from 2006 and previous years; the December 2005 Household Labour Force Survey; and an analysis of 2002 data from the New Zealand Business Frame<sup>1</sup> (Massey and Harris, 2003).
- Discussions with staff from Te Puni Kōkiri's Māori Business Facilitation Service (MBFS); MWA's Māori Women's Economic Development Reference Group; Māori Womens Development Inc; the National Advisory Council on the Employment of Women (NACEW); and the Pacific Business Trust.
- New Zealand data from the Global Entrepreneurship Monitor (GEM), a 34 country project which gathers the self-reported behaviour and views of potential and established entrepreneurs.

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<sup>1</sup> The Business Frame is a Statistics New Zealand data set that provides an annual snapshot of the structure and characteristics of New Zealand businesses. The Business Frame uses information from the Inland Revenue Department and survey information.

## **Who are women in enterprise?**

### ***Definition of SMEs***

In New Zealand, SMEs are classified as businesses with 19 or fewer full-time equivalent employees (FTEs). SMEs account for 96.4 percent of businesses in New Zealand and employ around 30 percent of all employees (MED, 2007).

### ***Definition of women in enterprise***

Our definition of women in enterprise includes unpaid workers in family businesses, employers and self-employed women without employees. Studies are divided over the inclusion of unpaid family workers, with some regarding them as equal partners and therefore including them, and others excluding them on the assumption that they are not entrepreneurs (Business and Economic Research Ltd, 2003).

Many women, however, work behind the scenes in family businesses often performing roles traditionally undertaken by women, such as bookkeeping and assisting paid employees of the business. Much of their contribution is unpaid, unacknowledged and underestimated by their families and by themselves. Yet despite their invisibility, these 'copreneurs' exert power and influence over the business (Dupuis and de Bruin, 2004).

### ***Exclusions from statistical data***

Statistics New Zealand's employment status data categorises people in employment as employees, employers, self-employed without employees, or working unpaid for a family business. This is done on the basis of their main economic activity and it therefore excludes self-employment that is secondary to a paid job.

The Business Frame includes enterprises that are 'economically significant', that is a business that has more than \$30,000 annual GST expenses or sales, and/or more than two full-time equivalent (FTE) paid employees. It is likely to exclude a significant proportion of women's businesses as many have turnover of less than \$30,000 a year. It also excludes businesses in agricultural production.

# Characteristics of New Zealand women in enterprise

## Summary

- Men are more likely to be self-employed than women, but the gap is gradually closing.
- Over half of self-employed men (57 percent) and women (55 percent) do not have employees.
- Women are less likely to be employers and more likely to work unpaid in a family business than men.
- Asian and European women are more likely to be in self-employment than Māori and Pacific women.
- Overall, self-employed women have similar qualification levels to women who are employees and men.
- A large proportion (41 percent) of self-employed women work part-time, compared with only 13 percent of self-employed men, and 33 percent of women who are employees.
- Self-employed women have lower incomes on average than self-employed men. They also have lower incomes on average than women who are employees.
- Women's businesses tend to be located in a narrow range of industries.

This chapter provides a summary of the key characteristics of self-employed women and their businesses, and how these differ from those of men.

## Rates of self-employment of women

Across the OECD, women account for between 13 percent (Turkey) and 40 percent (Portugal) of those in self-employment. New Zealand women's share of self-employment is in the middle of the distribution and is greater than in Denmark, the United Kingdom (UK), Japan and Germany, but less than in the United States or Australia (OECD, 2004:12).

Internationally, the long-term trend is an increase in the proportion of self-employed people who are women. This growth has largely been attributed to an increase in the labour force participation rate of women, while the labour force participation rate of men has remained relatively stable (OECD, 2000:157).

In New Zealand, there was an upturn in self-employment for both women and men in New Zealand in the late 1980s and early 1990s. This coincided with a period of recession and economic restructuring (McGregor and Tweed, 1998) that led to more people starting businesses in response to unemployment or redundancy (Gray Matter Research Ltd and Rivers Buchan and Associates, 1993).

The proportion of self-employed people who are women has been growing. In 1991, 29 percent of those in self-employment were women. By 2006, this had increased to 36 percent (Statistics New Zealand, 2003; 2007). This represented 17 percent of the total female workforce (Table 1).

**Table 1: Employment status of employed men and women, 2006 Census**

	Men		Women		Total	
<b>Paid employees</b>	752,499	74%	758,751	83%	1,511,250	78%
<b>Self-employed</b>	266,919	26%	150,480	17%	417,399	22%
<b>Total employed</b>	1,019,418	100%	909,231	100%	1,928,649	100%

Source: Statistics New Zealand, 2007 (excludes responses where employment status or gender not stated).

Self-employment without employees is the most common enterprise form for both men (57 percent) and women (55 percent). Women are more likely to be unpaid family workers and less likely to be employers than men, as shown in Table 2. In 2006, women were 31 percent of all employers, 35 percent of all self-employed without employees, and 58 percent of all unpaid family workers (Statistics New Zealand, 2007).

**Table 2: Distribution of men and women by self-employment category (main job only), 2006 Census**

	Men		Women		Total	
<b>Employer</b>	98,208	37%	44,673	30%	142,881	34%
<b>Self-employed without employees</b>	152,238	57%	82,713	55%	234,951	56%
<b>Unpaid family worker</b>	16,473	6%	23,094	15%	39,567	9%
<b>Total self-employed</b>	266,919	100%	150,480	100%	417,399	100%

Source: Statistics New Zealand, 2007 (excludes responses where employment status or gender not stated, totals may not add to 100 percent due to rounding).

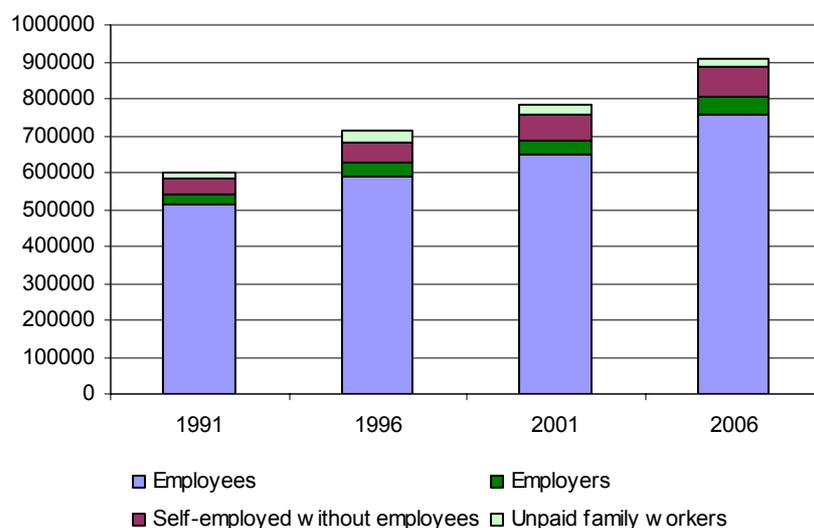
Between 1991 and 1996, self-employment of women increased significantly, from 14.1 percent of female employment to 17.5 percent. The proportion of employed women in all three forms of self-employment increased, while the proportion of women working as paid employees decreased. This increase in self-employment occurred in the context of a substantial (22.4 percent) increase in women's employment overall during the five-year period.

Since 1996, the proportion of employed women who are self-employed has remained relatively stable at around 17 percent. Between 1996 and 2006, however, there was a slight increase in self-employment without employees for women, and a large decrease in the proportion of women who are unpaid family workers (Statistics New Zealand, 2003, 2007).

While women's share of self-employment has increased, over the last decade the number of self-employed women has not grown quite as strongly as the number of women who are employees. Women's increased share of self-employment reflects that the number of self-employed people has increased more for women than it has for men. Overall, self-employment has decreased slightly as a proportion of total

employment since the 1996 Census. It is possible that being in paid employment may have become more attractive in recent years due to improved job opportunities.

**Figure 1: Employment of women, 1991-2006**



Source: Statistics New Zealand: 2003, 2007

**Table 3: Proportion of employed women in different forms of employment, 1991-2006 Censuses**

	1991	1996	2001	2006
<b>Employees</b>	85.9%	82.5%	83.0%	83.4%
<b>Employers</b>	4.6%	4.9%	5.1%	4.9%
<b>Self-employed without employees</b>	7.2%	8.1%	9.0%	9.1%
<b>Unpaid family worker</b>	2.3%	4.4%	3.0%	2.5%
<b>Total</b>	100%	100%	100%	100%

Source: Statistics New Zealand: 2007 (excludes responses where gender or employment status not stated, totals may not add to 100% due to rounding).

## Self-employed women

### *Ethnicity of women in enterprise*

Asian and Other women<sup>2</sup> are most likely to be self-employed (18 percent of employed Asian women and 19 percent of employed Other women were self-employed in 2006), followed by European (17 percent), Māori (9 percent) and Pacific women (5 percent) (Statistics New Zealand, 2007).

European and Asian women are more likely to be in all three forms of self-employment than Māori or Pacific women.

<sup>2</sup> In the 2006 Census, respondents were able to identify themselves as a 'New Zealander' under the ethnicity question for the first time. These respondents have been included in the 'Other' category.

**Table 4: Employed women's employment status by ethnicity, 2006 Census**

	European women (n=641,916)	Māori women (n=103,233)	Pacific women (n=41,232)	Asian women (n=73,779)	Other women (n=120,258)	All women (n=909,231)
<b>Total self-employed</b>	17.3%	9.2%	5.2%	17.7%	19.0%	16.6%
Employers	5.2%	2.4%	1.1%	5.0%	5.8%	4.9%
Self-employed without employees	9.7%	4.7%	2.8%	9.5%	10.3%	9.1%
Unpaid family workers	2.5%	2.1%	1.3%	3.2%	2.9%	2.5%
<b>Employees</b>	82.7%	90.8%	94.8%	82.3%	81.0%	83.4%
<b>Total employed</b>	100%	100%	100%	100%	100%	100%

Source: Statistics New Zealand, 2007 (excludes responses where employment status, gender or ethnicity not stated, totals may not add to 100 percent due to rounding).

### ***Māori women in enterprise***

The proportion of employed Māori women who were self-employed increased between 1991 and 1996, in line with the general trend for women, then reduced slightly by 2001 (Statistics New Zealand, 2003). Since this time it has remained stable at around 9 percent. As with women overall, these changes occurred at a time of large increases in the total numbers of employed Māori women, particularly between 1991 and 1996.

Also in line with overall trends for women, the proportion of Māori women who are unpaid family workers has decreased over the last ten years, while the proportion who are self-employed without employees has increased slightly (see Table 5).

The Global Entrepreneurship Monitor (GEM) reports that Māori women are more likely to engage in early stage entrepreneur activity than other New Zealand women and are particularly oriented towards being 'opportunity' entrepreneurs (Eden and Cruickshank, 2004).

**Table 5: Changes in Māori women's employment status: 1991, 1996, 2001, 2006 Censuses**

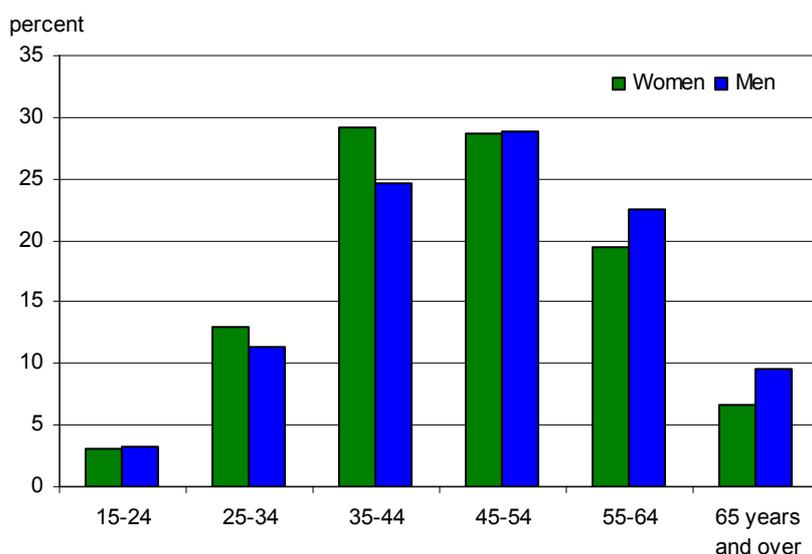
	1991 (n=48,387)	1996 (n=75,594)	2001 (n=83,460)	2006 (103,233)
<b>Employees</b>	92.6%	89.1%	90.9%	90.8%
<b>Total self-employed</b>	7.4%	10.9%	9.1%	9.2%
Employer	2.1%	2.4%	2.2%	2.4%
Self-employed without employees	3.4%	4.3%	4.4%	4.7%
Unpaid family worker	1.9%	4.2%	2.6%	2.1%
<b>Total</b>	100%	100%	100%	100%

Source: Statistics New Zealand, 2007 (excludes responses where gender, ethnicity or employment status not stated, totals may not add to 100% due to rounding).

## Age

Self-employed women are slightly younger than self-employed men. The most common age group for self-employed women was 35 to 44 years, and for men, 45 to 54 years (Figure 2). This difference is likely to be partially due to an uneven distribution of family responsibilities and the tendency for women to take up self-employment as a way to balance work and family. This is discussed further in the next chapter.

**Figure 2: Distribution of self-employed women and men by age group, 2001 Census**



Source: Statistics New Zealand: 2007

Employed women are most likely to be employers when they are in the 45 to 54 year old age bracket, and most are likely to be self-employed without employees or unpaid family workers when aged 55 or over (refer Table 6). Employed women are least likely to be self-employed when aged under 25 (Statistics New Zealand, 2007).

**Table 6: Proportion of employed women in different forms of employment, by age group, 2006 Census**

	15-24 (n=146,346)	25-34 (n=177,027)	35-44 (n=225,753)	45-54 (n=210,462)	55-64 (n=124,164)	65 and over (n=25,482)
<b>Employees</b>	96.8%	89.0%	80.5%	79.5%	76.5%	60.7%
<b>Total self-employed</b>	3.2%	11.0%	19.5%	20.5%	23.5%	39.3%
Employers	0.4%	3.0%	6.2%	7.1%	6.6%	6.7%
Self-employed without employees	1.4%	6.3%	10.9%	11.1%	13.3%	20.1%
Unpaid family workers	1.5%	1.7%	2.4%	2.3%	3.6%	12.5%
<b>Total</b>	100%	100%	100%	100%	100%	100%

Source: Statistics New Zealand: 2007 (excludes responses where gender, age, or employment status not stated).

## Education

Overall, self-employed women have similar qualification levels to women who are employees and men, with level one-three qualifications<sup>3</sup> being the most common highest qualification. Unpaid family workers, however, (both women and men) tend to have lower qualifications than people in other forms of self-employment.

There are some differences in the qualification levels of men and women in various forms of self-employment. Female employers are less likely to hold a qualification above level three than male employers. Men who are self-employed without employees, or unpaid family workers, are more likely to have no qualifications than women in these categories. Women who are self-employed without employees are more likely than men to hold a level seven qualification or higher (Table 7).

**Table 7: Highest qualifications for employees, employers, self-employed with no employees, and unpaid family workers**

Qualification	Employees (%)		Employers (%)		Self-employed without employees (%)		Unpaid family workers (%)	
	Men	Women	Men	Women	Men	Women	Men	Women
None	20.1	15.6	16.0	16.0	19.1	14.1	29.4	20.2
Level 1-3	31.9	37.4	27.0	37.6	27.1	31.4	31.1	35.7
Level 4-6	22.8	18.4	31.0	20.9	29.1	22.2	16.9	19.0
Level 7 Bachelor degree or higher	17.4	21.0	19.3	16.4	16.0	22.8	10.2	12.2
Other	7.8	7.6	6.7	9.1	8.7	9.5	12.3	12.9
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

Source: Statistics New Zealand, 2007 (excludes responses where employment status or gender not stated, totals may not add to 100% due to rounding).

## Women's businesses

### Size of women's businesses

As noted above, most New Zealand businesses are small and tend to remain small. SMEs constitute the majority of all enterprises. The average size of New Zealand SMEs, measured in terms of employment, was 5.1 FTEs as at February 2006. When non-employing firms are removed, the average number of employees per enterprise in 2006 was 14.0 (MED, 2007).

The majority of SMEs, especially those that do not have employees, remain the same size over the medium term (i.e. five years). Larger SMEs (those with 6-9 FTEs) are most likely to change size, however they are just as likely to decrease in size as they are to increase in size (MED, 2007).

<sup>3</sup> Level one-three qualifications are of approximately the same standard as senior secondary education and basic trades training. Levels four-six are approximate to advanced trades, technical and business qualifications. Levels seven and above are approximate to advanced qualifications of graduate and postgraduate standard.

**Table 8: Changes in size of small and medium enterprises (SMEs), 2001-2006**

Size in 2001	% that are smaller in 2005	% that are same size	% that are bigger
No employees	N/A	88	12
1-5 FTEs	19	67	14
6-9 FTEs	30	41	29

Source: MED 2007.

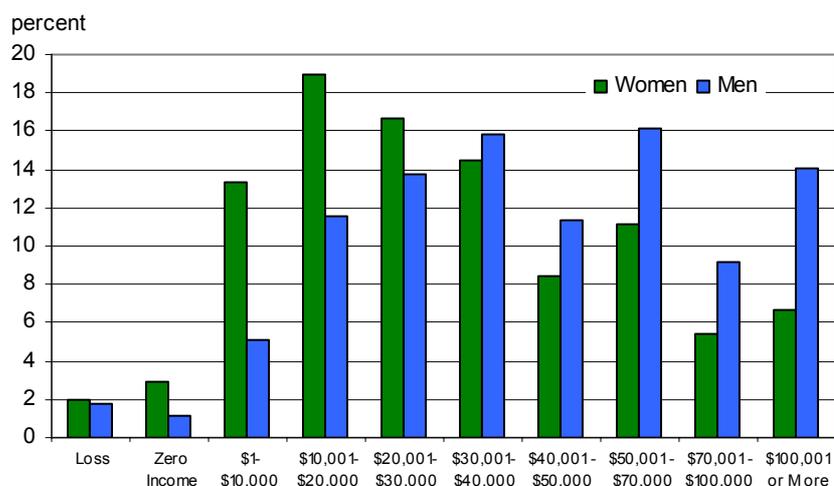
A study of 2002 data found that self-employed women (38 percent) were slightly more likely than men (34 percent) to employ between one and ten employees. Women (7 percent) were slightly less likely than men (9 percent) to employ more than ten employees (Massey and Harris, 2003).

### ***Incomes of women in enterprise***

*How do the incomes of self-employed women compare with those of men?*

Self-employed women typically have lower incomes than self-employed men.<sup>4</sup> In 2006, 77 percent of self-employed women received an income of less than \$50,000 compared with 61 percent of self-employed men; 12 percent of self-employed women earned over \$70,000 a year compared with 23 percent of self-employed men (refer to Figure 3).

**Figure 3: Incomes of self-employed men and women, 2006 Census**



Source: Statistics New Zealand, 2007

The shorter working hours of self-employed women contribute to the income gap between self-employed men and women. Women are much more likely to work part-time in their businesses than men, with 48 percent of all women in enterprise working part-time compared with 11 percent of men (Statistics New Zealand, 2006).

Shorter working hours do not, however, explain the entire income gap. Self-employed women who work full-time have lower incomes than self-employed men working full-time. In 2006, 50 percent of self-employed women working full-time had incomes of less than \$35,000, compared with 36 percent of men; 25 percent of

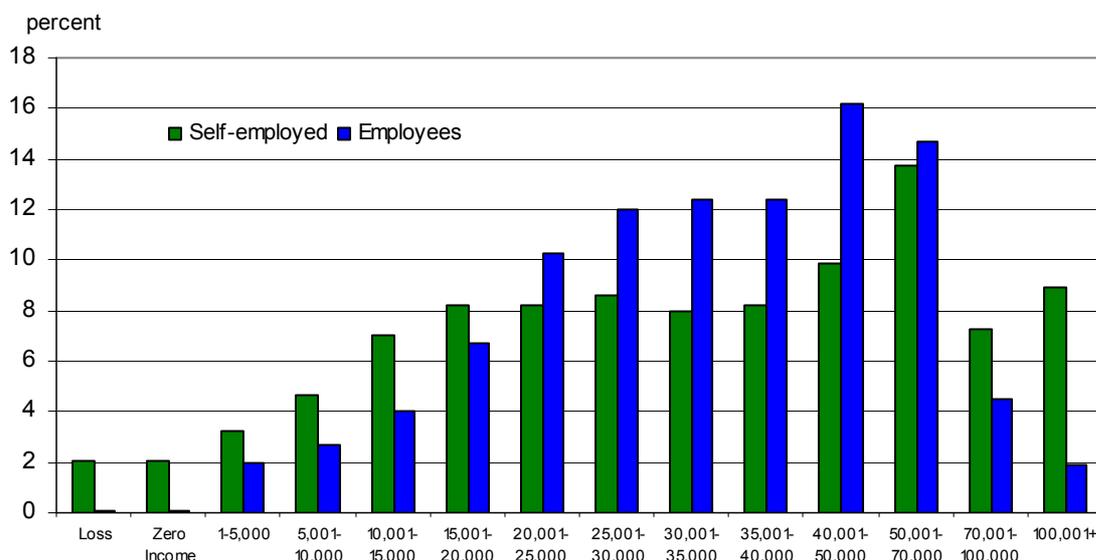
<sup>4</sup> Income data for the self-employed is derived from Census data on self-reported income from all sources, not just self-employment.

self-employed men working full-time earned over \$70,000, compared with 16 percent of women (Statistics New Zealand, 2007).

*How do the incomes of self-employed people compare with those of employees?*

Overall, women who are employees tend to receive higher incomes than self-employed women (refer Figure 4).

**Figure 4: Incomes of women employed full-time, 2006 Census**



Source: Statistics New Zealand, 2007

Self-employed people (men and women) are both more likely to earn relatively high incomes, and more likely to earn very little than employees. The risk of earning less than they would in employment is greater for women than for men. The likelihood of earning a higher income than would be earned as an employee is also lower for women than it is for men.

**Figure 5: Incomes of employed men and women, 2006 Census**

Total Personal Income	Men		Women	
	Employees	Self-employed	Employees	Self-employed
<\$20,000	10.0%	15.4%	15.6%	27.2%
\$20,000- \$35,000	26.4%	20.6%	34.6%	24.8%
\$35,000- \$50,000	28.7%	21.2%	28.6%	18.1%
\$50,000-\$70,000	19.1%	17.5%	14.7%	13.7%
\$70,000+	15.7%	25.3%	6.4%	16.2%

Source: Statistics New Zealand, 2007

New Zealand, like most other countries, has not tried to quantify the economic contribution of women's businesses. No data are available on the output or sales from women's businesses.

### ***Location and industry***

Women are most likely to start a business in an industry where they have previously worked. The OECD argues that women's lower participation in science and technology occupations means that women are less likely to have businesses based on technological innovations (OECD, 2004:17, 18).

In New Zealand, women's businesses tend to be concentrated in property and business services, retail trade, and personal and other services (Massey and Harris, 2003:27). This concentration of women in a narrow range of industries also occurs internationally (OECD, 2004).

Women's businesses, like men's, are most commonly located in the Auckland region, followed by other metropolitan areas such as Canterbury and Wellington. Businesses that are operated by women part-time are more likely to be located in the regions than businesses with full-time operators (Massey and Harris, 2003:27).

## Key issues for women's businesses from New Zealand and international research

This chapter considers the key issues for women in business, and how these are similar to and different from those for men. It explores success factors, motivations and aspirations, and issues relating to skills, confidence and support.

### Summary

- The factors that influence business success are similar for men and women and include having a good business plan; being connected to information sources; having innovative products or services and access to markets; and being exposed to effective role models.
- Women and men report a similar range of motivations for entering self-employment. A key difference is that women are more likely to enter self-employment as a way of gaining flexibility and work-life balance.
- Women may have more difficulty meeting credit criteria for finance, as they have less work experience and lower savings on average. However evidence is mixed on whether access to finance is a barrier.
- Women may start businesses with less experience, particularly management experience, than men. Women in enterprise have similar views to men on management competence, and are more likely than men to take up training and development opportunities.
- Women report that a lack of confidence can be a difficulty in starting a business. Some women appear to seek out networking and mentoring opportunities as a way of building confidence.
- Internationally, women's businesses perform less well on average than men's. Evidence points to differences in size, industry and investment levels as the causes, not the gender of the business operator.

### Success factors

The OECD has identified social networks as one of the more important factors in business success (OECD, 2004).

The OECD has noted other success factors, including:

- having a business plan
- being connected to vital information sources, support groups and contacts
- having innovative products or services
- having access to markets and market intelligence

- having effective role models (OECD, 2004).

Women in the MWA interviews also talked about the importance of positive role models and access to mentoring and networking opportunities. The participants suggested business assistance and development programmes should have a greater emphasis on improving women's business confidence.

## **Why are women in enterprise, and what do they want from their businesses?**

### ***Motivations and aspirations***

Overall, women and men report a similar range of motivations and aspirations for being self-employed. However, women may be 'pushed' into self-employment more often than men, particularly because of a need to balance paid work with family obligations.

Motivation for entering self-employment is often described as either an entrepreneurial pull, that is to take risks with a view to achieving either income or other goals, or an unemployment push, where people become self-employed because they cannot find the jobs they want (Business and Economic Research Ltd, 2003: 9,10).

An OECD review of international literature found no substantial differences in men and women's overall reasons for starting a business, noting that both start businesses because they want to achieve job satisfaction, independence and to support themselves and their families (OECD, 2004: 31).

In contrast, United Kingdom research found that women are less driven by the desire to make money than their male counterparts. Women are more likely to be motivated by the sense of fulfilment and personal satisfaction they receive from providing a good service (Women's Unit, Cabinet Office, UK and Ministry for Industry, Employment and Communications, Sweden, 2001:14).

Kirkwood and Campbell-Hunt (2006) reviewed a range of studies of motivations for becoming an entrepreneur. They concluded that most studies find few gender differences in the range of motivations for becoming an entrepreneur. Both men and women report being motivated by a desire for independence, monetary motivations, factors related to family, and factors related to work (such as a desire for advancement or flexibility).

There were, however, some gender differences. In particular, a number of studies have consistently found that women are more likely to be motivated by family related factors such as the need to balance paid work with family commitments, generally considered to be 'push' factors. (Kirkwood and Campbell-Hunt, 2006:4).

Different typologies have been developed to explain the motives of women in enterprise (refer Table 9). Orhan and Scott (2001) identified a complex range of motivations for women to enter business, which varied in terms of environmental influences and included some push and some pull factors (Orhan and Scott, 2001).

The qualitative research undertaken by MWA suggested that push factors seemed to be more of a motivation to enter self-employment than pull factors. Achieving a better balance between work and family commitments was an important motivation for many women. GEM surveys record that more women than men are 'necessity entrepreneurs', who become involved in entrepreneurship because of the lack of alternative opportunities.

**Table 9: Typologies of Women in Enterprise**

Academic	Description
<p><b>Orhan and Scott (2001)</b></p>	<p><b>Dynastic compliance:</b> involved in a family business spanning multiple generations.</p> <p><b>No other choice:</b> unable to find salaried employment due to location, skills, qualifications etc.</p> <p><b>Entrepreneur by chance:</b> accepted the role rather than seeking it, could find salaried employment elsewhere.</p> <p><b>Natural succession:</b> attained relevant qualifications and then joined the family or partner's business.</p> <p><b>Forced entrepreneur:</b> took up entrepreneurship partly as a logical next step and partly because of necessity.</p> <p><b>Informed entrepreneur:</b> chose entrepreneurship for pull reasons, influenced by close environment.</p> <p><b>Pure entrepreneur:</b> running their own business is a natural development of experience.</p>
<p><b>Carter and Cannon (1992)</b></p>	<p><b>Drifters:</b> women aged under 25 who drift into business and whose businesses are characterised by change.</p> <p><b>Young achievers:</b> women who are well educated and often move straight from education to proprietorship.</p> <p><b>High achievers:</b> women with high career aspirations who are typically older with more career experience.</p> <p><b>Returners:</b> women returning to the workforce after raising children.</p> <p><b>Traditionalists:</b> women with no intention to grow or change their business.</p>
<p><b>Goffee and Scase (1985)</b></p>	<p><b>Innovative entrepreneurs:</b> Women who are highlighted as examples of how women can be successful in an 'overwhelmingly male world'. Many have encountered discrimination in their careers. They achieve success by meeting male-stipulated business criteria.</p> <p><b>Conventional businesswomen:</b> Women who start their own businesses in traditionally female domains, such as hairdressing, secretarial services, and retail outlets. Many have no or few employees.</p> <p><b>Radical proprietors:</b> Business start up is not geared towards self-advancement or profit-making, but towards collective feminist goals.</p> <p><b>Domestic traders:</b> Women who are not usually committed to making a profit, but to achieving personal goals that cannot be achieved through paid employment. Their motives may be associated with family needs, achieving self-fulfilment, exercising creative skills or achieving personal autonomy. These businesses are often viable only because of a (male) partner's back-up finance.</p>

### ***Balancing work and family responsibilities***

The 1999 Time-Use Survey showed that women are the primary caregivers and responsible for running households in the majority of families (Statistics New Zealand and Ministry of Women's Affairs, 2001).

A range of studies, including the MWA interviews, have found that for many women, business activity is 'part of a broader livelihood strategy to balance work and family responsibilities' (Kirkwood and Mackie, 2004b).

Many New Zealand women consider self-employment as a way of improving work-life balance. However, Kirkwood and Mackie (2004b) found that women often end up working into the night or limiting their business opportunities in order to maintain caring responsibilities. They observed that many women entrepreneurs simply 'add' their entrepreneurial role to their existing roles within the family.

Hence, as in the international literature, greater flexibility for New Zealand businesswomen may be a myth. In reality, combining paid work and family work can be more difficult for self-employed women than for women who are employees.

Kirkwood (2004) observed that female entrepreneurs in New Zealand balanced work and family in the following ways:

- women in enterprise used the same strategies as women who were employees (e.g. using childcare, working from home and decreasing the amount of their personal time)
- women delayed having children until after they had started their business, when more money was available to pay for childcare
- women waited until after their children had grown before starting a business, which is the traditional route into entrepreneurship for women who are mothers
- women chose not to have children (Kirkwood, 2004).

Self-employed women are more likely to work part-time than women who are employees. In 2006, 41 percent of self-employed women worked part-time, compared with 33 percent of women who were employees (Statistics New Zealand, 2006).

Part-time self-employment is not only found in the smallest businesses. An analysis of Business Frame data from 2002 shows that 43 percent of the 100,780 female working proprietors captured in the business frame were part-time, compared with 14 percent of the 205,310 male working proprietors (Massey and Harris, 2003: 24).

High levels of female part-time self-employment may indicate that some women have difficulty finding suitable part-time or flexible employment. The part-time entrepreneur issue is an emerging theme internationally. Canadian analysis found that only half of self-employed Canadian women work full-time throughout the whole year (Industry Canada, 1998:20).

Many women in Kirkwood and Mackie's (2004a) study reported that their domestic partners' contributions to unpaid work were limited, and therefore the women were constrained in how much time they could spend on their businesses. Nevertheless, the study found they were largely happy with their decision to go into business and had little desire to go back to paid employment (Kirkwood and Mackie, 2004a). In Australia traditional gender roles were also found to be common among couples in joint businesses (Smith, 2000).

## **Are there particular barriers to success for women in enterprise?**

### ***Access to finance***

Finance is one of the key resources needed to successfully start and grow a business. The most appropriate form of finance will depend on the nature of the business, the stage of growth, and the preferences of the business owners.

On average, women spend more time out of the workforce than men and, when in paid work, work fewer hours and earn less per hour. This means that over time, women tend to accumulate less wealth than men. Women are therefore likely to have less personal wealth to contribute to a business, and be more reliant on other sources of finance.

A review of New Zealand women's access to micro-finance commissioned by MWA found little evidence-based, recent literature about women's access to finance in New Zealand (Massey and Lewis, 2003). While New Zealand research is scarce, international evidence indicates that women tend to start businesses with lower levels of capital than men and are less likely to access loans.

### ***Debt finance***

Studies in New Zealand, the US and Canada have consistently found little or no evidence of direct discrimination in lending by banks, in that once characteristics of the business and experience of the business owner are controlled for, no differences in lending outcomes are found (Dupuis and de Bruin, 2004, Massey and Lewis, 2003). The criteria used by banks to identify risks can, however, act as a greater barrier for women than for men.

Research on bank lending practices commissioned by MED found that the factors that influenced bank decisions included:

- management capability (experience and continuity)
- individual characteristics (credit/account history, key person risk)
- geographical risk
- performance history
- industry risk (Pricewaterhouse Coopers, 2003: 22-24).

The characteristics of women's work histories outlined above mean that they are less likely to have management experience and own property that can be used to meet collateral requirements. Women may also be more likely to start businesses in industries with low profitability.

It would seem likely then that women may have more difficulty accessing finance, at least initially. However, one New Zealand study found that women were not more likely to report difficulty accessing finance at start-up. McGregor and Tweed (2000) surveyed SME owners about difficulties experienced at start-up. While a reasonably large proportion of respondents did identify 'obtaining the money necessary to start' as a difficulty, women (27.4 percent) were not significantly more likely than men (26.6 percent) to report this difficulty.

A significant difficulty with research in this area is the need to distinguish when lower use of debt finance by women reflects a lower demand for debt finance, rather than greater difficulty accessing it. A theme which emerges from international research is that women may be more risk-averse, leading them to prefer to use internal funds or 'love money' (informal loans from family and friends) where possible. Those on lower incomes in particular have been found to prefer other types of funding to debt. Given that women generally also have a lower capacity to carry debt, they may have good reason to be more cautious about loans than men on average.

Massey and Lewis (2003) surveyed key New Zealand informants on women business owners' access to micro-finance, and found a range of views. Some thought that access was clearly lacking, while others felt that low levels of provision indicated a low level of need.

Massey and Lewis's literature review found that women business owners as a group have been under-served by banks, and suggested that more sensitive, educative approaches on the part of banks may be needed to address indirect gender effects. Other literature has identified the critical role that accountants can play as financial intermediaries (Marlow and Carter, 2005).

### *Equity finance*

The decision to obtain equity finance requires balancing the risk of possible loss of control of one's business with the opportunities that may be gained from access to new avenues for growth, such as access to business networks, expertise and financial resources.

International studies have tended to find that women are reluctant to seek equity finance, and are poorly represented as both applicants and investors in equity finance markets.

Recently, de Bruin and Flint-Hartle (2006) examined women's access to different forms of equity finance in New Zealand, through qualitative research with venture capitalists, business angel network informants and entrepreneurs. de Bruin and Flint-Hartle found that while women generally preferred internal to external funding sources, they were nevertheless aware of the need to foster relationships with equity financiers. The need to be able to trust a potential business partner was a key consideration when deciding on sources of finance.

The researchers investigated women's participation in Business Angel Networks (BANs) and in the venture capital industry. In both cases, they found very few women were seeking investment (and consequently few receiving it) and very few women were participating as investors. Only 11 percent of the venture capital companies surveyed had women in decision-making roles.

Respondents involved with BANs offered a range of explanations for the low participation of women, including that there were few women in the industry that the BAN operated in (eg technology industries), and that women might be put off by the prospect of pitching their business to a large public grouping, or be intimidated by the male culture. On the other hand, some women who had experience seeking investment in this way reported that being female could work to their advantage, as it gave them a 'stand-out factor'. de Bruin and Flint-Hartle concluded that women-only angel groups may attract more women entrepreneurs, as women often feel more comfortable amongst other women.

The size of the investments involved meant the majority of female entrepreneurs interviewed had not sought venture capital. It is also likely that the focus within the venture capital industry on technology industries precludes female entrepreneurs from needing or accessing this form of finance. Many women's businesses are located in industries where venture capital, which tends to be most appropriate for businesses with high start-up costs, is less likely to be the most appropriate form of finance. Informal equity sources may be a better match with the needs of many women's businesses.

de Bruin and Flint-Hartle noted that despite the findings that few women were accessing equity finance, many women interviewed felt that the search for equity finance was a level playing field, and did not necessarily see their experiences in gendered terms.

### ***Business skills and experience***

The Small Business Advisory Group (SBAG) has commented that owners of SMEs must play several, often disparate, roles, and that:

- managerial capabilities may be stretched as entrepreneurs, often with little training or experience, become responsible for management, marketing, accounting and the other tasks needed in a successful business
- many SME owners do not devote enough resources to seeking out and acquiring up-to-date information
- SME owners often cannot afford to employ all the expertise they need to get new concepts and projects up and running
- SME owners tend to undervalue the potential contribution of expert advice on key elements of their business and fear their ideas might be 'stolen' if shared with others. Without expert advice, however, SME owners are often unable to satisfy the requirements of investors, banks and other financiers for information (e.g. for business planning) and bring in and implement new ideas (SBAG, 2004).

New Zealand research suggests that there are wide deficiencies in generic management skills in New Zealand (McGregor and Tweed, 2001). If women in enterprise have fewer business skills than their male counterparts, the firms they create will have a lower probability of survival or growth, and may be seriously limited in their ability to enter new markets or operate in already saturated markets (OECD, 2004). International studies have found that women often come into business ownership with less formal experience than men (Chun, 1999:15).

A 1993 qualitative study in New Zealand found many self-employed women lacked business experience and information. Many women were not sure how to write a business plan, manage their daily accounts and deal with compliance requirements. Several also found it hard to promote themselves and their products (Gray Matter Research and Rivers Buchan and Associates, 1993:6).

McGregor and Tweed's (2000) study asked business owners about difficulties experienced at start-up. It found that women perceived they lacked both 'soft' and 'hard' attributes. While men and women were equally likely to report some kinds of difficulties, women were more likely to identify writing/developing a business plan, gaining the necessary confidence, and locating information and advice on starting a business as difficulties.

**Figure 6: Difficulties associated with business start-up as recorded by McGregor and Tweed**

Difficulty	% reporting this difficulty		
	Men (n=1061)	Women (n=310)	Total (n=1371)
Writing or developing a business plan	15.6	28.1	18.5
Gaining the necessary confidence	38.7	50.3	41.4
Locating information and advice on starting a business	15.5	26.5	17.9
Obtaining the money necessary to start	26.6	27.4	26.8
Selling to people or organisations	24.0	24.5	24.1
Gaining support from family or partner	13.7	12.9	13.5
Identifying a viable idea or opportunity	14.1	12.9	13.9
Finding a suitable location	26.2	23.5	25.6
Other	14.6	11.0	13.8

In another study of SME owners in the manufacturing sector, McGregor and Tweed (2001) found that as a whole, women and men appear to have similar views about current managerial competencies and development needs. Women owners as a group, however, were more likely to feel strongly about priorities for further development and placed a greater emphasis on financial competencies. McGregor and Tweed suggest that women may on average be more candid than men about development needs. Caution is therefore required when comparing gender differences in self-reported information about skill levels.

The limited research available on Māori women in enterprise suggests that issues are similar for Māori women. One study found that Māori women, especially those aged 35 to 50 years, were often disadvantaged in education and academic and business training, so needed more help in these areas (Sinclair Robertson Associates, 2003). Māori women accessing the Māori Business Facilitation Service noted barriers arising from the language used in business dealings and navigating compliance issues.

### ***Confidence and risk-taking***

One area where McGregor and Tweed (2000) found a clear gender difference was in levels of confidence. Over half of the female business owners they surveyed said that a lack of confidence was a difficulty at start-up, compared with 39 percent of men.

The New Zealand GEM report found that men (71 percent) were more likely than women (53 percent) to feel confident they had the skills, knowledge and experience needed to start a new business (Frederick et al, 2002:22).

The interviews with women in business carried out by MWA also suggested that for some women a lack of confidence creates a barrier to success. Some of these comments are included below.

#### *Comments about barriers to success from women interviewed by MWA*

‘My own nerve to take risks, to expand and change the way we do things.’

‘The only barriers that I face are those ones only in my head (i.e., self-imposed ones).’

‘Not trusting yourself, fear.’

‘Our ambitions tend to be modest – not hungry for financial success; nor do women stretch themselves as much as some men to attain an elusive goal.’

‘Women tend to be more risk averse – fear of failure.’

An individual’s perception may differ from actual abilities and risk levels. However, low self-confidence could nevertheless impact on the decision to enter self-employment and the nature and scope of a business. An investigation into Māori women’s economic opportunities identified a connection between the lack of active support for women to play roles in business or governance and their apparent lack of confidence (Sinclair Robertson Associates, 2003).

McGregor and Tweed (2002) found that women who indicated that gaining confidence, locating information and advice or developing a business plan were difficulties were more likely to have a mentor. These women appeared to be seeking advice and support in initial stages of business development, and the researchers theorised that women may see skill development as a confidence booster.

Those who had a mentor generally rated them as helpful or very helpful. Women indicated that helpful mentors acted in one or several capacities as sounding boards, motivators, role models, confidence boosters, sources of business contacts and business advisors. Many respondents held negative perceptions of mentors provided by official government and community schemes. Self-selected and near mentors were generally regarded as more helpful than arranged mentoring relationships.

Some studies have found that women in enterprise are more risk averse than men (Anna et al, 1999), and this has been seen as a further reason for women's lower participation in enterprise and lower incomes from businesses. However other researchers have queried the assumption that women are too risk-averse, and would do better in business if they were less so. In relation to the United Kingdom, for example, Wilson, Whittam and Deakins (2004) note that there is not enough evidence to conclude that women's risk-aversion is a serious barrier to entrepreneurial activity, because it is also possible that women establish businesses when they are more sure of the future success of an enterprise, which could be viewed as a strength and not a weakness.

They suggest that risk-aversion amongst women may be 'an economically rational, utility-maximising response of women who recognise the impact that business failure might have on their families', and that rather than training women to think differently, governments may be equally well-advised 'to recommend that men could be educated to appreciate risk better, develop a healthier fear of failure, and articulate any dearth of entrepreneurial skills more honestly' (Wilson, Whittam and Deakins, 2004: 810).

### ***Access to networks***

The ability to build alliances with other companies and access resources is increasingly becoming a major factor in determining business success. A growing body of evidence suggests more co-operative or social forms of enterprise are emerging (OECD, 2004).

The findings of international studies do not give a consistent message about whether there are substantial differences in the business networks of men and women in enterprise and, if there are, and whether these differences matter. The OECD notes that many studies show that people tend to view entrepreneurship as a masculine domain (OECD, 2004:30). Some researchers have found few differences in networks, but others have suggested women lack access to networks, have different networks, or need to improve their networks if they are to succeed in business (Greene et al., 2003, Mayoux, 2001).

Some of the women interviewed by MWA perceived gender differences in networks. One woman interviewed by MWA commented that 'knowing old boys' networks can help and believing in yourself can help'. Some said they had observed that men had 'better old boys' networks' or 'buddy networks'. Some women also identified gender discrimination as a barrier to business success. One participant commented that 'sexism is still very much alive, it is still a man's world'.

Cruickshank and Rolland (2004) argue that women and men concentrate on different aspects of networking. While women in general are skilled in relationship development and developing strong ties, men tend to be better at using networks for marketing and advertising.

McGregor and Tweed (2002) compared the characteristics of women business owners involved in a women's business network with a nationwide sample of female business owners and found that the businesses of networked women were smaller and more likely to be home-based. The networked women were also more likely than other women to both have and want a mentor, and more likely to report that a lack of confidence was a difficulty at start-up. McGregor and Tweed theorised that women may become involved in women's business networks as a means of building confidence and accessing informal support, rather than to gain specific business-related know-how.

### ***Growth orientation***

Views differ about the growth ambitions of women in enterprise. The OECD concluded that women in enterprise have lower growth ambitions than men, based on research in the United States and Sweden (OECD, 2004:31). New Zealand evidence is equivocal about whether women are more or less growth-oriented than men.

New Zealand businesses, regardless of whether they are run by men or women, tend to 'start small and stay small'. Many New Zealand businesses appear to be small by choice. A qualitative study of 52 New Zealand SMEs found that:

- many SME owners prioritise the need for stability and lifestyle over growth, and only a minority were focused on, and planning for, growth
- progress in business was closely related to personal events
- a common difficulty was stepping-up to hire or employ more staff (Massey et al, 2004).

Gender differences could not be identified as only a small number of women were interviewed (Massey et al, 2004:23).

The importance of stability is reinforced by another study which found that 78 percent of SMEs were still operating seven years later (McGregor and Tweed, 2004). This result is comparable to data from a new, experimental Statistics New Zealand series that showed that, if non-employing firms are excluded, the overall survival rate into 2005 for SMEs born in 2001 is 69 percent (MED, 2007:47).

However women in enterprise are a diverse group and many do have growth ambitions. One New Zealand study concluded that there is a distinct new generation of younger, networked female business owners. They are better educated, more

affiliated, more likely to have a business mentor and more expansionist than other small business owners<sup>5</sup> (McGregor and Tweed, 2002).

Research in Australia found distinct generational differences in the start-up objectives women had for their businesses, with Generation 'X'<sup>6</sup> being more focused on economic goals than other age groups (Still et al, 2004). The generational or cohort differences noted in these studies may explain why recent studies are more likely to find evidence of women having growth ambitions for their businesses. These results may suggest that the findings of some international studies related to the paucity of women's networks may not be true for younger New Zealand women.

Another New Zealand study of 308 entrepreneurs (including 54 women) found business growth was a goal for slightly more women (67 percent) than men (61 percent) (Kirkwood, 2003).

Similarly MWA's interviews found many examples of women who had grown successful businesses or had multiple aspirations for their businesses. These included hiring more staff, expanding in size, increasing financial returns and utilising collective assets.

## **Performance of women's businesses**

Census data give a snapshot of the incomes of New Zealand entrepreneurs. However, as many business owners draw on savings when they start their businesses, current income at a particular point in time is not necessarily indicative of business performance over time.

There are no data that enable a comparison of business performance or growth rates (either in relation to FTEs or other measures such as turnover or profit) for male- and female-operated businesses in New Zealand.

In general terms, however, profitability tends to increase with size.<sup>7</sup> In 2004, enterprises employing between one and five FTEs recorded an average profit of \$62,087 compared with an average of \$132,927 for enterprises employing 10 to 19 FTEs and more than \$14.3 million for enterprises employing 500 or more FTEs (Ministry of Economic Development, 2006).

Internationally, women's businesses have been shown to perform less well than men's businesses. This has been attributed to a number of factors that have been discussed in this report, including that:

- men's businesses tend to be larger and have higher levels of capital investment on average, than women's businesses

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<sup>5</sup> Findings were based on interviews with a random selection of 337 female and 1,177 male business owners alongside a sample of 290 women entrepreneurs from a Woman into Self-employment (WISE) database (McGregor and Tweed, 2002).

<sup>6</sup> Those born between 1965 and 1980.

<sup>7</sup> When organisational size is measured by number of FTE employees.

- female business ownership is primarily concentrated in industries that have lower returns and/or are smaller in terms of employment, such as retail and service industries
- more women work part-time in their businesses than men
- female business owners appear to be more risk averse than male business owners.

UK and US research have found slower growth rates for women-owned businesses. This is associated with gender differences in initial capital and goals (Mayoux, 2001:52). An Australian longitudinal study found that, after controlling for industry, age of business, risk and the number of days the business has operated, no significant differences exist between the performances of the male- and female-controlled SMEs (Watson, 2003a, 2003b). This research suggested that the reasons for women's lower resource use and greater risk averseness were areas for future exploration.

In the absence of local data, it is difficult to judge the extent to which self-employment provides a good livelihood for women. This is particularly so given the part-time nature of many women's businesses. The growth of women's self-employment in New Zealand has been linked to the growth of precarious low quality employment. This includes employment that generates low incomes, provides limited or no opportunity to gain and retain skills, or is dangerous or unhealthy (Tucker, 2002).

## Conclusions

This project sought to:

- document the characteristics of SMEs owned by women
- identify success factors and barriers to success for WIE
- examine some of the common and unique features of women's businesses compared with men's businesses.

In exploring these areas of interest, a number of key questions emerged. These were:

- how do self-employed women and their businesses differ from self-employed men and their businesses?
- is self-employment a good option for women?
- do success factors differ for men and women?
- are there particular barriers to women entering or succeeding in business?
- is there a need for specific support for women in enterprise?
- what are the gaps in our knowledge about women in enterprise?

The conclusions that can be drawn on these questions based on the research and information examined are outlined below.

### **How do self-employed women and their businesses differ from self-employed men and their businesses?**

New Zealand women are less likely to be self-employed than men. Women are more likely to be unpaid family workers and less likely to be employers than men, and women's businesses have slightly fewer employees than men's on average.

A large proportion (41 percent) of self-employed women work part-time, compared with 13 percent of self-employed men, and 33 percent of women who are employees.

Self-employed women earn significantly less on average than self-employed men. A major reason for this is the large proportion of self-employed women who work part-time. Even amongst full-time self-employed people, however, women have significantly lower incomes.

Women's businesses tend to be concentrated in a narrower range of industries than men's, most commonly industries that have historically employed large numbers of women, such as retail.

## **Is self-employment a good option for women?**

While self-employment can offer unique opportunities not available to employees, it does not necessarily represent a good option for all women. Self-employed people are both more likely to earn high incomes, and more likely to earn very little, than employees. The risk of earning less than they would earn in employment is greater for women than for men, and on average, women who are employees have higher incomes than self-employed women.

It may not always offer better financial rewards, but self-employment can offer women greater flexibility in the way they work. New Zealand research indicates that a need for flexible work is an important motivation for many women to enter self-employment. Greater flexibility, however, does not necessarily mean better work-life balance and in reality balancing work and family is sometimes more difficult for self-employed women than for other women.

While many women are happy with their choice to enter self-employment for the flexibility it offers, it appears that for some women, self-employment is a reflection of limited opportunities, and may lead to low earnings.

## **Do success factors differ for men and women?**

Overall, the same kinds of factors are likely to lead to success in business for both men and women. These include having a good business plan, being connected to information sources, having innovative products or services, having access to markets and market intelligence, and being exposed to effective role models.

It is likely, however, that women have greater difficulty getting to a position where these success factors are present. The reasons for this are discussed below.

## **Are there particular barriers to women entering or succeeding in business?**

As noted above, women are much less likely than men to be self-employed. Those women who do become self-employed have lower incomes on average than self-employed men.

There is a range of possible explanations for this. This project has not found any evidence that women are intrinsically less interested in self-employment, or lack good business ideas, although this has not been well researched in the New Zealand context. Entrepreneurship has traditionally been seen as a masculine domain, and one factor in women's low rate of self-employment could be that young women are exposed to fewer entrepreneurial role models of their own gender than young men.

If women are not intrinsically less entrepreneurial than men, then the differences in self-employment outcomes for men and women must be due to other differences in their situations. The research we have reviewed identifies a number of factors that could contribute to women being less likely to enter or succeed in business.

### ***Greater responsibility for unpaid work***

It is well documented that women take on responsibility for a much larger share of unpaid work than men, in particular the care of children. As is also the case for female employees, these responsibilities have a strong influence on the work patterns of self-employed women. For many women self-employment is a means of balancing work and family, and these women are unlikely to be able to work long hours in order to develop their business.

Greater responsibility for unpaid work also has an affect on the experiences and skills women are able to accumulate prior to entering self-employment. Women tend to have less paid work experience and more and longer periods outside of the paid workforce. In particular, women are less likely to have significant management experience. While many women accumulate valuable skills outside of the paid workforce which can be applied to their paid work, less paid work experience means that women may enter self-employment with fewer skills in some areas, or be perceived as having fewer skills.

### ***Access to finance***

New Zealand and international research has found no evidence of direct discrimination in lending by banks. However, women's differing work patterns prior to entering self-employment make it likely that they will have greater difficulty accessing loans, as banks typically base lending decisions on factors such as management capability and individual characteristics such as experience and credit history.

Despite this, one New Zealand survey found that women were not more likely to report having difficulty obtaining start-up finance (McGregor and Tweed, 2000). It is possible that women may have a lower demand for debt finance than men, if they are more cautious about incurring debt.

### ***Skills***

Women are more likely to report a lack of confidence, writing or developing a business plan, and locating information and advice on starting a business as difficulties at business start-up. This may be partly due to women having less management experience. However, some researchers have argued that the greater development needs reported by women could also reflect that women are more focused on personal development and more candid about skill deficiencies.

### ***Confidence and risk-taking***

A number of sources of evidence indicate that women believe that a lack of confidence holds them back in starting a business. It is not known whether business assistance programmes are successful in responding to this development need.

Some studies internationally have found that women are more risk averse than men, and this has been seen as a barrier to success. It is not clear, however, that women would be better off if they were less risk averse. Other researchers have argued that the greater caution shown by women is a potential strength, or a rational response that recognises the impact business failure could have on their families.

## **Access to Networks**

Women's lower representation in management positions and as business owners means that their informal business networks are likely to be less well developed, and some women report 'not knowing old boys' networks' as a difficulty. International studies do not give a consistent message, however, about to what extent this is the case and whether it matters. Some researchers have argued that women and men concentrate on different aspects of networking.

## **Industry**

There are differences in the industries in which women and men set-up businesses. Some areas of education and employment are still segregated by gender and this affects business patterns, as most self-employed people set-up businesses in industries where they already have experience and networks. Internationally, the viability and earnings of businesses are closely related to industry. Over the medium-term, broadening the education and occupations that women participate in will broaden the range of businesses they can establish, and this is likely to have a positive impact on the outcomes for women in business.

## **Is there a need for specific support for women in enterprise?**

The lower participation of women in self-employment and their lower incomes are a cause for concern. The fact that these outcomes are occurring suggests that women may not have equal access to the opportunities offered by self-employment, and that New Zealand's economy may not be benefiting to the extent that it could from women's potential as business owners.

However, the evidence presented here indicates that the most significant barriers to success for WIE are largely the same as those experienced by women in employment generally. Self-employed women, like other women, experience challenges in balancing participation in paid work with their caring and other unpaid responsibilities. Women's greater responsibility for unpaid work affects the ability of self-employed women to accumulate business skills and experience, the time they can devote to their businesses, and their ability to develop business networks.

Indeed, many women appear to enter self-employment not for the rewards it offers, but because they are unable to access the flexibility they need as an employee. These factors suggest that policies aimed at improving women's and men's choices about balancing work and care are likely to have a greater and longer-lasting impact on outcomes for WIE than measures targeted only at self-employed women.

The government has committed to improving the choices available to parents and other carers' in balancing work and care, through the *Choices for Living, Caring and Working* plan of action, released in 2006. The plan focuses on several key areas: the first year of a child's life; access to high quality, affordable early childhood education and out of school services, caring for adults, and encouraging flexible work practices.

Based on the available evidence, there does not appear to be a clear need for policies targeted specifically at WIE. In many of the areas examined in this report,

however, it has not been possible to draw clear conclusions, due to a lack of New Zealand data that allows gender differences to be examined.

### **What are the gaps in our knowledge about women in enterprise?**

A clear gap is the absence of an ongoing data source that includes information about both business characteristics and the characteristics of the business owners. A data source of this kind would greatly improve our understanding of how well women's and men's businesses perform, and how their development and finance needs might differ.

The Business Capability Partnership (BCP), of which the Ministry of Economic Development is a member along with other government departments, is a public/private sector initiative aimed at improving the market for management and business capability development services.

The BCP is currently developing a Business Capability Assessment Tool that will allow New Zealand businesses to benchmark themselves against their peers. The Tool allows users to self-identify their businesses as 'female' or 'male'. The Partnership is also working on reporting tools to provide aggregated information about New Zealand businesses that could facilitate comparisons of the capability of businesses that identify as a specific gender with the general business population.

The BCP's Business Capability Assessment Tool has the potential to assist organisations that are working directly with businesses to generate a clearer qualitative picture about the role of women in New Zealand enterprises.



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## Appendix: Business assistance in New Zealand

In New Zealand SME owners may access many business assistance programmes.

### Overview

The government funds a wide range of business support programmes to help owners of small businesses (see Table 10). Programmes range from business and governance training to one-on-one mentoring.

Most government-funded programmes are free. Programmes are delivered by government frontline staff or are contracted out.

Some programmes have women as a target group or specific segment. For example, Te Puni Kōkiri's Business Facilitation Service has an objective to focus on women in business and is a specific deliverable in its provider contracts.

Non-government entities also offer a range of business support services – from mainstream business education by tertiary institutions to support by local governments and chambers of commerce, and a wide range of private and charitable schemes. Regional programmes include the Northland Business Development Trust and organisations supporting Māori business people (such as the Poutama Trust) or Pacific business people (such as the Pacific Business Trust).

A growing range of financial institutes offer support, from conventional banks to venture capital groups and private commercial ventures (such as the Her Business Group, which offers Her Business magazines, business events, networks and a club).

Table 10 summarises the wide range of governmental and non-governmental organisations that deliver business development support programmes to people in SMEs.

**Table 10: Key government-funded development and support services for SMEs**

Name	Programmes
New Zealand Trade & Enterprise (NZTE)	<p>Business assistance services to build business capability, improve the environment for enterprise and growth, and increase international connections.</p> <p>A one-stop point across the development spectrum, from business start-up to growth.</p> <p>Improving service delivery to enterprises by making services less fragmented and aligning economic development programmes.</p> <p>Supporting business partnerships and regional development.</p> <p>Refer to Table 11.</p>
Te Puni Kōkiri (TPK)	<p>The Business Facilitation Service assists whānau, hapū and iwi with mentoring, coaching, networking, identifying funding sources, accessing resources and referrals to other business services.</p>

Name	Programmes
Foundation for Science, Research and Technology (FoRST)	<p>Supports companies to tackle innovative and technically challenging research and development projects that may consolidate or grow their businesses.</p> <p>Helps collectives (e.g., iwi authorities, trust boards, rūnanga or hapū) to evaluate the commercial potential of their resources, assets and other opportunities.</p> <p>Grants are usually on a dollar for dollar basis and used to engage experts from Crown Research Institutes or the private sector to help assess the technical feasibility of ideas and overcome technical challenges.</p>
Work and Income New Zealand – Ministry of Social Development (MSD)	<p>The Enterprise Allowance is available to help eligible unemployed job seekers start their own business. The allowance can be used for business expenses or as income while the business is being established.</p> <p>Enterprising Communities grants help community organisations to design and implement projects that will create skills and job opportunities for people who are finding it hard to get work.</p>
Department of Labour	<p>The Department of Labour provides free services to help businesses achieve high-quality productive practices.</p> <p>These services include providing advice and education on improving employment relations and health and safety, seasonal recruitment and immigration programmes, regional labour market information, and information services for small business networks.</p> <p>The Department of Labour's website provides tools and information such as the employment agreement builder, leave entitlement calculators, and the 'ask a question' feature where you can get answers to specific questions. Up-to-the-minute information can be accessed through the Department's contact centre.</p>

## New Zealand Trade & Enterprise

New Zealand Trade & Enterprise (NZTE) is the New Zealand government's economic development agency. NZTE aims to grow New Zealand's economy by building the capability of businesses and regions and facilitating their sustained and profitable participation in overseas markets.

NZTE focuses on improving international competitiveness and the sustainable profitability of New Zealand businesses. It serves as a one-stop entry point for a wide range of services for businesses across the development spectrum, from businesses starting up to businesses seeking to grow, export or internationalise. NZTE also supports business partnerships and regional development, and fosters an enterprise culture to encourage New Zealanders to have a positive attitude to business success.

Funding for NZTE services was \$150 million in 2007/08.

Table 11 summarises the NZTE's key programmes.

**Table 11: New Zealand Trade & Enterprise (NZTE) services for SMEs**

Name of service	Description of service
www.business.govt.nz	A specialist business information service provided free through a nationwide network of information centres and comprehensive on-line assistance.
Enterprise Hotline	A telephone-based service that helps people in business to evaluate their business needs and provides mentoring, general business advice and access to the NZTE's other services.
Business mentoring: Business in the Community Company Rebuilders	Charitable trusts that provide mentoring on a voluntary basis by business people selected for their proven business skills and experience.
Business incubators	Help for people to establish businesses over an incubation period of two to three years by providing shared premises, business advice, business services, networking, mentoring and a full-time manager. New Zealand has ten established incubators.
E-Business Guide	A guide to help businesses make the best use of information technology and the internet, available through the BIZ website.
Enterprise training	Free skills training for business operators and owners to help them develop and grow their businesses. An Investment Ready course provides information on raising finance to start, expand or diversify businesses.
Exporter education	Workshops for new and established exporters, often tailored to the needs of specific industry sectors and clusters.
Enterprise Development Grants – Market Development	<p>Grants are provided to help SMEs with a turnover of \$50 million per annum that are committed to and capable of seeking out and developing international business and connections to develop new international markets.</p> <p>Grants are 50 percent co-funded, with the minimum claim being \$20,000 and the maximum amount that can be claimed in one year being \$100,000.</p>
Enterprise Development Grants – Capability	<p>Grants to help commercially viable smaller enterprises (with turnover of less than \$5 million and/or less than 20 FTEs), groups of businesses and entrepreneurs with innovative and marketable business concepts to build their internal business capability by providing funds to:</p> <ul style="list-style-type: none"> <li>• engage the services of a business mentor</li> <li>• undertake training</li> <li>• employ specialised advice and expertise for a specific project</li> <li>• undertake international market development activities.</li> </ul> <p>Grants are 50 percent co-funded. The maximum funding allowable in one year is \$20,000.</p>

Name of service	Description of service
Growth Services Fund	The Growth Services Fund offers support for high growth potential firms to purchase external advice, expertise and market development services. This is aimed at businesses with a turnover of less than \$50 million.
Industry Capability Network	The principal objective of the Industry Capability Network (ICN) is to maximise competitive import substitution in the New Zealand and Australian markets. This involves working with major purchasers to identify local companies that can meet purchase requirements in the face of competition from imported products.
MarketNewZealand.com	A website to connect exporters with buyers from around the world and provide market intelligence.
Escalator	Escalator fuels business growth by helping innovative SMEs and entrepreneurs to access investment by addressing their lack of access to and understanding of equity, venture capital and strategic partnerships. NZTE covers most of the cost, but businesses cover the broker's fee on capital raised.
Regional economic development	<p>Regional Partnership Programme: up to \$100,000 per region per three-year cycle for strategic planning and up to \$100,000 per year per region for capacity building.</p> <p>Major regional initiatives: up to \$2 million for major economic development initiatives per three-year cycle.</p> <p>Regional Economic Development Advisers: work with industry sectors to identify and overcome barriers to business growth, such as skill shortages or inadequate infrastructure.</p>
Sector Economic Development	<p>NZTE works in partnership with industry sectors, and this work influences the way NZTE sets priorities and develops services.</p> <p>A range of tools are used to help address issues and develop sectors including sector projects, Beachheads and the World Class New Zealand programme. NZTE also provides international market intelligence and market development services tailored for particular sectors.</p>

## Accessibility of government-funded business assistance programmes for women

While many business assistance programmes are available for women, generally or specifically, it appears many women do not know what programmes are available, how they could use those programmes, or what those programmes provide. This is also characteristic of all SME owners.

For instance, many women interviewed for this report commented that when first establishing their business they did not seek support from any institution as they did not know where to start looking for that support. Some also mentioned that if they had sought help they were not impressed with the information or help received.

It appears, however, that at least basic-level government-funded business skills development programmes are reaching women as well as men. For the 2004/05 year:

- for enterprise training, a total of 51,228 services were delivered to clients. Of this total 48.4 percent were to women.
- for Biz, women constituted 50 percent of requestors of information, against a target of 52 percent.

Little gender or ethnic data is available about how well other programmes are reaching women. The information that is available suggests programmes aimed at higher levels of growth and development or that involve substantive financial support are significantly less effective in reaching women. To some extent this will relate to the size and characteristics of women's businesses, but may also reflect some general capability issues.

Evaluating the effectiveness of business assistance programmes for women is made difficult with the problem of defining 'women in business' (as discussed earlier in this report). It is uncertain what, if any, influence the gender of a programme's recipient has on a programme's effectiveness.

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