**WOMEN AND ENTERPRISE**

**SUMMARY**

Women in Scotland are less likely than men to start their own business, and have lower levels of self-employment. Women are less likely than men to be represented on company boards.

It is estimated that there would be significant benefits to the Scottish economy of increasing the number of women starting their own businesses. Wider research shows business benefits for companies that have more diverse boards.

Women demonstrate different motivations to men for starting up their own businesses. Women are more likely to be motivated by “creating meaning” and are more likely than men to want to set up a social enterprise or a charity. A desire to better balance work with family life is also an important motivating factor for women.

Women face a number of barriers to starting and running their own business. Women are more likely than men to lack confidence in their own abilities and skills and to be put off by a fear of failure. Women business owners report experiencing discrimination. Women are less likely than men to know where to access information, advice and support, and are less likely to know people already involved in running a business. Women cite access to finance as a key barrier and are more cautious and less willing to take economic risks than men. Finally, whilst achieving a better work life balance can be a motivation for women to start their own business, it can prove a challenge, as can accessing maternity benefits.

Definitions of key terms used can be found in the glossary at the end of the paper.

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| **WOMEN’S ENTERPRISE IN SCOTLAND – THE NUMBERS - SUMMARY*** In 2016, 19% of small and medium enterprise employers in Scotland were led by women
* In 2017, 34% of self-employed people in Scotland were women, and 66% were men
* In 2017, the self-employment rate for women in Scotland (8.6%) was lower than for men (15.8%)
* In Scotland in 2017, total early-stage entrepreneurial activity was higher for men (8.1%) than for women (5.4%).
* In Scotland in 2017, the ratio of female to male total early-stage entrepreneurial activity was 67%, which means that there were 67 female early stage entrepreneurs in Scotland for every 100 male early stage entrepreneurs
* In October 2017, women made up over a quarter (28%) of FTSE 100 boards in the UK
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**WOMEN’S ENTERPRISE IN SCOTLAND – THE NUMBERS**

**Women in small and medium enterprises in Scotland [[1]](#footnote-1)**

In 2016, almost one in five (19%) of small and medium enterprise[[2]](#footnote-2) employers in Scotland were led by women (either led by a single woman a management team, made up of a majority of women). This is in line with the figure for the UK as a whole (20%). 43% of small and medium enterprises in Scotland were entirely male-led, broadly in line with the figure in the UK as a whole (46%). A further 23% of small and medium enterprises in Scotland were equally led by men and women.

At a UK level, women-led businesses tend to be more highly concentrated in health and social work and community, social and personal services.[[3]](#footnote-3)

**Self-employment rates for women in Scotland[[4]](#footnote-4)**

Around a third (34%) of self-employed people in Scotland in 2017 were woman, and two-thirds (66%) were men.

Female self-employment has increased in Scotland between 2007 and 2017 (from 76,000 in 2007 to 109,600 in 2017, representing a rise of 44.2%). Male self-employment has also increased over time, but it is a smaller increase of 13.5%.

In Scotland, the female self-employment rate (self-employed as a proportion of those in employment) was 8.6% in 2017, which is lower than the male self-employment rate of 15.8%. The female self-employment rate has increased by 2.3 percentage points since 2007. The male self-employment rate increased by 1.7 percentage points over the same period.

In 2017, the female self-employment rate was lower in Scotland (8.6%), than in the UK as a whole (10.8%). But the gap between female and male self-employment rates is narrower in Scotland (8.6% v 15.8% , a gap of 7.2 percentage points) compared to that for the UK as a whole (10.8% v 19%, a gap of 8.2 percentage points).

**Total early-stage entrepreneurial activity in Scotland [[5]](#footnote-5) [[6]](#footnote-6)**

In Scotland in 2017, total early-stage entrepreneurial activity was higher for men (8.1%) than for women (5.4%).

Women’s total early-stage entrepreneurial activity increased by 1.8 percentage points between 2002 (3.6%) and 2017 (5.4%). There was no significant difference in women’s total early-stage entrepreneurial activity rates in Scotland between 2016 and 2017, while the rate for men decreased from 9.5% in 2016 to 8.1% in 2017.

In Scotland in 2017 the ratio of female to male total early-stage entrepreneurial activity was 67%, which means that there were 67 female early stage entrepreneurs in Scotland for every 100 male early stage entrepreneurs (up from a ratio of 55% in 2016). The ratio for the UK as a whole was 47%. The higher ratio in Scotland is driven by a lower than UK average male rate, with the female rate close to the UK average.

A report by McKinsey and Company[[7]](#footnote-7) ranks a number of indicators of gender inequality for women across their life course in the UK. “Entrepreneurship”[[8]](#footnote-8) is ranked as an area of “high inequality” and “women in entrepreneurship” is identified as one of seven “impact zones” where intervention is required in order to promote gender parity.

**Women on company boards (UK and Scotland)**

In October 2017, women made up over a quarter (28%) of FTSE 100 boards in the UK.[[9]](#footnote-9) All companies in the FTSE 100 have female representation on their boards. Between 2007 and 2017 women’s representation on the FTSE 100 boards rose from 11% to 28%.

The number of FTSE 100 companies in the UK with at least 33% women on their boards has also increased from 19% to 28%.

In 2015, of Scottish-based companies in the FTSE 100, 17 out of 66 board positions are held by women (25% of the total)

When looking at the FTSE 250 in the UK, women made up 23% of boards, up from 13% in 2013. 97% of companies in the FTSE 250 have female representation on their boards, 8 have an all-male board. Just over a fifth (21%) have at least 33% women on their boards.

In 2015, at FTSE 250 level the number of women on the boards of Scottish-based companies is 13 out of 67 positions (18% of the total)

**ECONOMIC AND BUSINESS BENEFITS OF INCREASING WOMEN’S PARTICIPATION IN ENTREPRENEURIAL ACTIVITY**

**Wider economic impacts**

Various studies provide estimates of the benefits to the UK and Scottish economy of increasing women’s participation in the labour force, including increasing women’s entrepreneurial activity.

Estimates of the contribution of women-led businesses to the Scottish economy range from £268 million[[10]](#footnote-10)to £5 billion[[11]](#footnote-11), which represents between approximately 0.2% and 4% of Scotland’s Gross Value Added[[12]](#footnote-12). If rates of women-led businesses equalled those of men, it has been estimated that this contribution could increase to as much as £13 billion[[13]](#footnote-13), which represents around 10% of Scotland’s Gross Value Added. However, research by the Royal Bank of Scotland and Development Economics[[14]](#footnote-14) found that while the proportion of the UK’s female working population starting a business nearly doubled from 3.7% to 7.1% between 2009 and 2012, this has since tailed off, falling every year and standing at less than 5% in 2015, lagging behind countries such as Canada and the US.

**Benefits to businesses of being more diverse**

A number of studies show that workforce diversity, particularly at the board level, is associated with improved business performance, including profitability, share price, and productivity. Among other benefits, diversity can motivate staff; provide a wider range of skills, experience, and perspectives; and more closely represent the views of stakeholders. More diverse companies tend to do better than the average whilst less diverse companies actually perform worse than average For example McKinsey and Company found that the companies in the top quartile of gender diversity at a leadership position are 15% more likely to have financial returns that were above their national industry median[[15]](#footnote-15).

**MOTIVATIONS FOR WOMEN TO START THEIR OWN BUSINESS**

Women are less likely than men to set up their own business, and are often motivated by different factors from men, with women more likely to put an emphasis on creating meaning.

Women tend to be less likely than men to want to start their own business. At the UK level in 2014 (quarter 4), 30% of women survey said they wanted to run their own business, compared to 38% of men, (RBS Enterprise Tracker 2014[[16]](#footnote-16)).

In the UK in 2014 (quarter 4) young men (18-30) were more likely to be setting up their own business than young women (7% vs. 4%) (RBS Enterprise Tracker 2014).

At a UK level women who are early stage entrepreneurs express different motivations to men for starting their own businesses. The Global Entrepreneurship Monitor (2017)[[17]](#footnote-17) found that women entrepreneurs are significantly more likely to report they are motivated by creating meaning, such as helping others, making a difference to society, and building long term relationships with stakeholders.

Whilst freedom to make decisions was the most popular motivation for both men (88.8%) and women (87.8%), the data also highlighted that there were some significant differences in the motivations by gender. Two-thirds of women (66%) said they started a business to contribute to society; just two-fifths (39.2%) of men had the same motivation. There was also a 20 percentage point gap in the share of men and women who were motivated to start a business to help others in need (58.0% for women and 38.2% for men). Likewise, the share of women who were motivated to start up to have good relationships with others was also significantly higher than for men (81.9% for women vs. 67.9% for men). (Global Entrepreneurship Monitor United Kingdom 2017)

Women were significantly more likely than men to cite ‘greater flexibility for my personal and family life’ (85.4% for women, vs. 71.0% for men) and the desire for ‘freedom to adapt my own approach to work’ (97.2% for women and 80.5% for men). (Global Entrepreneurship Monitor United Kingdom 2016[[18]](#footnote-18)).

Another survey found different motivations for men and women entrepreneurs who had started their own business when asking “What was the trigger that inspired you to start planning or developing your new business idea?” Men were more likely to state “financial incentive” (16% for men and 12% for women), while women were more likely to have begun planning their own business to extend a hobby (15% for women vs. 9% for men) or escape from a job that they disliked (10% for women vs 6% for men). (RBS Enterprise Tracker 2014)

A survey of women business owners by the Federation of Small Businesses in 2015 found that the most common reason why women wanted to start their own business was that they had experience of the sector (40%). The desire to achieve a good work-life balance was cited by a quarter (25%) of survey respondents, with flexibility and the opportunity to be more involved in childcare and family life an attractive proposition to many women.[[19]](#footnote-19)

Owning a business can allow women more control over the hours they work, often making it easier to balance the demands of work with child caring responsibilities, and they can use strategies often not available to those in employment such as trading while caring for children simultaneously, working non-standard hours, or working from home.[[20]](#footnote-20)

Women tend to want to set up different types of businesses from men. Women are less likely than men to say that they want to set up a “for profit” business, and are more likely to say that they want to set up a social enterprise or a charity. 59% of women said they wanted to set up a “for profit” business, compared to 74% of men. 26% of women said that they wanted to start up a social enterprise, compared to 18% of men, and 15% of women wanted to set up a charity compared to 8% of men. (RBS Enterprise Tracker 2014)

**BARRIERS TO WOMEN PARTICIPATING IN ENTREPRENEURIAL ACTIVITY**

**Lack of confidence and fear of failure**

Women’s lack of confidence in their own skills can act as a barrier to them setting up their own businesses.

At a UK level, survey data from a number of surveys shows that women who are not involved in entrepreneurial activity are more likely than men to say that a fear of failure would prevent them from starting their own business (e.g. 41% of women vs 30% of men in the Global Entrepreneurship Monitor United Kingdom 2017, agree “fear of failure would prevent me from starting a business” and 60% of women compared to 51% of men in the RBS Enterprise Tracker 2014 agreed that “fear of failure would prevent me from trying to start my own business”).

Younger women (age 18-30) are even more likely than women of all ages to agree that fear of failure would prevent them from trying to start their own business (72% of young women compared to 60% of young men). (RBS Enterprise Tracker 2014).

Women who are not involved in entrepreneurial activity are also less likely than men to believe that they have the skills knowledge and experience to start a business (E.g. 39.3% of women vs. 56.7% of men in the Global Entrepreneurship Monitor United Kingdom 2016 agreed “I have the skills, knowledge and experience to start a business”; whilst 39% of women compared to 47% of men in the RBS Enterprise Tracker 2014 agreed that “I feel I have the ability and skills to set up my own business or enterprise”) A similar proportion of young women to women overall felt that they had the ability and skills to set up their own business, which was again lower than the number of young men who thought this (38% of young women vs. 49% of young men) (RBS Enterprise Tracker 2014)

A 2018 Royal Bank of Scotland survey of microbusiness owners in Scotland (businesses that employ fewer than 9 employees) found that one third of female microbusiness owners (33%) surveyed admitted to having experienced imposter syndrome during their career. Imposter syndrome is the feeling that your achievements are not real or that you do not deserve praise or success. [[21]](#footnote-21)

**Discrimination**

A third (34%) of Federation of Small Business women business owners say they have experienced discrimination as a business woman in the past. Discrimination is more prevalent in traditionally male dominates sectors, with over half (54%) of women business owners in construction saying they had faced discrimination. However, even in more traditionally female dominated professions such as health and social care, nearly a quarter (24%) reported experiencing discrimination.[[22]](#footnote-22)

**Access to information, advice and support**

Women were also less likely than men to say that they know where to go to get more information about starting their own business (30% of women vs. 39% of men). (RBS Enterprise Tracker 2014). Young women in particular were much less likely than young men to know where to get more information about starting a business (26% of young women vs 37% of young men). (RBS Enterprise Tracker 2014)

Women tend to be less likely to know people in business and therefore have fewer opportunities to benefit from exposure to others with experience of business with whom they can identify.[[23]](#footnote-23)

**Finance and economic risk**

When asked what they thought the biggest barriers to starting your own business or enterprise would be, women are more likely to think that securing funding is the biggest barrier to starting their own business. 44% of women compared to 36% of men said “I don't think I could get enough money to start up.” Women are also more concerned than men about the risks involved and the current economic climate. 39% of women and 37% of men said “It's too risky” and 37% of women compared to 31% of men said “the current economic climate is too difficult.” (RBS Enterprise Tracker 2014)

A report by the Federation of Small Businesses states that quarter of women business owners highlighted the ability to access finance as a key challenge to them starting their own business. It goes on to say that research shows that on average women tend to be more risk adverse than their male counterparts, and as a result will apply for less finance, or refuse to accept finance if it comes at a high price. Women are more likely to apply for loans from banks or loans or grants from government-backed enterprise schemes then to apply for alternative forms of finance.[[24]](#footnote-24)

Balancing work with family life

Whilst achieving a better work life balance can be one of the factors that motivates women to set up a business, balancing work and family can also be a challenge with 40% of respondents to a Federation of Small Businesses survey citing balancing work and family commitments as the biggest challenge to setting up a business. And a further 56% said that maintaining their work life balance was the most significant challenge of running a business.[[25]](#footnote-25)

The Federation of Small Businesses highlight that maternity benefits for small business owners are complex and often depend on their individual circumstances. They note that for many women attempting to run a business whilst taking time out to care for a baby, their level of maternity entitlement fails to deliver the financial support and flexibility they need. [[26]](#footnote-26)

**SUPPORTING WOMEN TO PARTICIPATE IN ENTREPRENEURIAL ACTIVITIES**

In a survey of people wanting to start their own business, women in the UK were more likely than men to think most forms of help with starting a business, asked about, would be useful to them. For example 64% of women and 55% of men said that “financial advice” would be useful. Women were also more likely than men to say that “mentoring support for 6 - 18 months” would be useful (48% of women compared to 41% of men). (RBS Enterprise Tracker 2014)

McKinsey and Company[[27]](#footnote-27) suggest that for women in entrepreneurship, initiatives are required that involve building on current efforts to help women entrepreneurs access the capital, contacts, and skills needed to start and scale their businesses. This includes encouraging investment in less traditional growth sectors such as care, education, and lifestyle sectors.

The federation of Small Businesses[[28]](#footnote-28) make a number of recommendations for boosting women’s entrepreneurship in the UK, including: improving access to finance; raising awareness of support; increasing the visibility of role models for women business owners; and equalising maternity pay.

**GLOSSARY OF TERMS USED:**

**FTSE 100** - The FTSE 100 is an index composed of the 100 largest (by market capitalisation) companies listed on the London Stock Exchange. (The Share Centre <https://www.share.com/a-guide-to-investing/before-you-start/what-is-the-ftse-100>)

**FTSE 250** - the next 250 largest companies after the FTSE 100 (The Share Centre <https://www.share.com/a-guide-to-investing/before-you-start/what-is-the-ftse-100>)

**Gross Value Added (GVA)** - measures the contribution to an economy of an individual producer, industry, sector or region. It is used in the calculation of gross domestic product (GDP). GDP is commonly estimated using one of three theoretical approaches: production, income or expenditure. When using production or income approaches, the contribution to an economy of a particular industry or sector is measured using GVA.  (Financial Times Lexicon <http://lexicon.ft.com/Term?term=gross%20value%20added%20GVA> )

**Microbusiness -** A microbusiness is a business that operates on a very small scale. Typically a microbusiness will have fewer than nine employees and a turnover of less than £500,000 (Royal Bank of Scotland RBS Microbusiness Index [http://cdn15.contentlive.co.uk/5907a4f469c9443784fd3e7b1ddfb10c:static/pdf/6207microbusinessindex\_new.pdf?versionId=qJNXmyG6VXrdtJt.uoyVNZiRDE6..\_ua](http://cdn15.contentlive.co.uk/5907a4f469c9443784fd3e7b1ddfb10c%3Astatic/pdf/6207microbusinessindex_new.pdf?versionId=qJNXmyG6VXrdtJt.uoyVNZiRDE6.._ua) )

**Small and medium enterprise (SME)** - an enterprise that employs fewer than 250 employees

**Total Early-Stage Entrepreneurial Activity (TEA)** - is the proportion of the population aged between 18 and 64 either actively trying to start a new business, or managing a business that is less than three-and-a-half years old, in which they have an ownership stake. (World Economic Forum <http://www3.weforum.org/docs/WEF_Entrepreneurship_in_Europe.pdf> )

1. Small Business Survey Scotland 2016 <https://beta.gov.scot/publications/small-business-survey-scotland-2016/> [↑](#footnote-ref-1)
2. A small and medium enterprise is an enterprise that employs fewer than 250 employees. As at March 2016, there were an estimated 348,045 small and medium enterprises operating in Scotland, of which those with employees represented 30 per cent (104,800 enterprises). Small and medium enterprises with employees accounted for 42% of total Scottish employment and 36% of turnover. [↑](#footnote-ref-2)
3. Federation of Small Businesses Report Women In Enterprise: The Untapped Potential Published: April 2016 <https://docs.wixstatic.com/ugd/0fc63c_ae9949c516f84a519a3b363dda9ddb06.pdf> [↑](#footnote-ref-3)
4. Scottish Government Equality Evidence Finder <http://www.gov.scot/Topics/People/Equality/Equalities/DataGrid/Gender/GenBusEntEn> [↑](#footnote-ref-4)
5. Global Entrepreneurship Monitor United Kingdom 2016 Monitoring Report [https://www.strath.ac.uk/media/departments/huntercentre/research/gem/GEM\_UK\_2016\_(2).pdf](https://www.strath.ac.uk/media/departments/huntercentre/research/gem/GEM_UK_2016_%282%29.pdf) [↑](#footnote-ref-5)
6. Global Entrepreneurship Monitor United Kingdom 2017 Monitoring Report <https://www.rbs.com/content/dam/rbs_com/rbs/Documents/News/2018/gem_uk_uk_2017_final.pdf> [↑](#footnote-ref-6)
7. McKinsey & Company, 2015, *The Power of parity: Advancing women’s equality in the United Kingdom*, available [here](https://www.mckinsey.com/featured-insights/gender-equality/the-power-of-parity-advancing-womens-equality-in-the-united-kingdom) [↑](#footnote-ref-7)
8. “Entrepreneurship” is defined in the report “as the female to male ratio—employed or involved in new enterprise as % of gender aged 18–64” [↑](#footnote-ref-8)
9. The Female FTSE Board Report, 2017, Cranfield <https://www.cranfield.ac.uk/som/expertise/changing-world-of-work/gender-and-leadership/female-ftse-index> [↑](#footnote-ref-9)
10. Royal Bank of Scotland <https://www.rbs.com/rbs/news/2017/03/female-entrepreneurs-contribute-p3-51billion-to-the-uk-economy.html> [↑](#footnote-ref-10)
11. Women’s Enterprise Scotland (2014) referenced in in “The role and contribution of women in the Scottish economy “Womenomics review by Professor Lesley Sawers. Published 26 March 2015 <https://www.gov.uk/government/publications/the-role-and-contribution-of-women-in-the-scottish-economy> [↑](#footnote-ref-11)
12. Source for the GVA calculations: <https://www.ons.gov.uk/economy/grossvalueaddedgva/bulletins/regionalgrossvalueaddedincomeapproach/december2016> [↑](#footnote-ref-12)
13. Women’s Enterprise Scotland (2014) referenced in in “The role and contribution of women in the Scottish economy “Womenomics review by Professor Lesley Sawers. Published 26 March 2015 <https://www.gov.uk/government/publications/the-role-and-contribution-of-women-in-the-scottish-economy> [↑](#footnote-ref-13)
14. Royal Bank of Scotland <https://www.rbs.com/rbs/news/2017/03/female-entrepreneurs-contribute-p3-51billion-to-the-uk-economy.html> [↑](#footnote-ref-14)
15. Women’s Business Council Maximising women’s contribution to future economic growth – two years on July 2015 <https://www.womensbusinesscouncil.co.uk/wp-content/uploads/2017/02/DfE-WBC-Two-years-on-report_update_AW_CC.pdf> [↑](#footnote-ref-15)
16. RBS Enterprise Tracker 2014, in association with the Centre for Entrepreneurs 4th Quarter 2014 <https://www.rbs.com/content/dam/rbs_com/rbs/PDFs/Sustainability/Downloads/populusrbsenterprisetracker4thquarter2014-finalfullreport.pdf> [↑](#footnote-ref-16)
17. Global Entrepreneurship Monitor United Kingdom 2017 Monitoring Report <https://www.rbs.com/content/dam/rbs_com/rbs/Documents/News/2018/gem_uk_uk_2017_final.pdf> [↑](#footnote-ref-17)
18. Global Entrepreneurship Monitor United Kingdom 2016 Monitoring Report [https://www.strath.ac.uk/media/departments/huntercentre/research/gem/GEM\_UK\_2016\_(2).pdf](https://www.strath.ac.uk/media/departments/huntercentre/research/gem/GEM_UK_2016_%282%29.pdf) [↑](#footnote-ref-18)
19. Federation of Small Businesses Report Women In Enterprise: The Untapped Potential Published: April 2016 <https://docs.wixstatic.com/ugd/0fc63c_ae9949c516f84a519a3b363dda9ddb06.pdf> [↑](#footnote-ref-19)
20. Federation of Small Businesses Report Women In Enterprise: The Untapped Potential Published: April 2016 <https://docs.wixstatic.com/ugd/0fc63c_ae9949c516f84a519a3b363dda9ddb06.pdf> [↑](#footnote-ref-20)
21. Royal Bank of Scotland Microbusiness Index 2018 [http://cdn15.contentlive.co.uk/5907a4f469c9443784fd3e7b1ddfb10c:static/pdf/6207microbusinessindex\_new.pdf?versionId=qJNXmyG6VXrdtJt.uoyVNZiRDE6..\_ua](http://cdn15.contentlive.co.uk/5907a4f469c9443784fd3e7b1ddfb10c%3Astatic/pdf/6207microbusinessindex_new.pdf?versionId=qJNXmyG6VXrdtJt.uoyVNZiRDE6.._ua) [↑](#footnote-ref-21)
22. Federation of Small Businesses Report Women In Enterprise: The Untapped Potential Published: April 2016 <https://docs.wixstatic.com/ugd/0fc63c_ae9949c516f84a519a3b363dda9ddb06.pdf> [↑](#footnote-ref-22)
23. Federation of Small Businesses Report Women In Enterprise: The Untapped Potential Published: April 2016 <https://docs.wixstatic.com/ugd/0fc63c_ae9949c516f84a519a3b363dda9ddb06.pdf> [↑](#footnote-ref-23)
24. Federation of Small Businesses Report Women In Enterprise: The Untapped Potential Published: April 2016 <https://docs.wixstatic.com/ugd/0fc63c_ae9949c516f84a519a3b363dda9ddb06.pdf> [↑](#footnote-ref-24)
25. Federation of Small Businesses Report Women In Enterprise: The Untapped Potential Published: April 2016 <https://docs.wixstatic.com/ugd/0fc63c_ae9949c516f84a519a3b363dda9ddb06.pdf> [↑](#footnote-ref-25)
26. Federation of Small Businesses Report Women In Enterprise: The Untapped Potential Published: April 2016 <https://docs.wixstatic.com/ugd/0fc63c_ae9949c516f84a519a3b363dda9ddb06.pdf> [↑](#footnote-ref-26)
27. McKinsey & Company, 2015, *The Power of parity: Advancing women’s equality in the United Kingdom*, available [here](https://www.mckinsey.com/featured-insights/gender-equality/the-power-of-parity-advancing-womens-equality-in-the-united-kingdom) [↑](#footnote-ref-27)
28. Federation of Small Businesses Report Women In Enterprise: The Untapped Potential Published: April 2016 <https://docs.wixstatic.com/ugd/0fc63c_ae9949c516f84a519a3b363dda9ddb06.pdf> [↑](#footnote-ref-28)