

# Women-Owned SMEs: Analysis of Factors Influencing the Growth Process



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# Objective

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- Narrower gender gap in entrepreneurship but not as much as the number of women joining self-employment (Minniti et al., 2005)
- Higher failure rate of women-owned businesses (Brush et al., 2005)
- A need to investigate not only the problems and issues but also understanding of contributing factors to growth at local as well as national level (Brush et al., 2004; Minniti et al., 2005; Brush et al., 2005 )
- Factors constraining or contributing to the growth process of women-owned SMEs



# Women-Owned Enterprises and Growth (Theoretical Framework)

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- Studies regarding the effects on performance of....
  - Women's motivations to start own businesses (Buttner and moore, 1997; Learner at al., 1995)
  - Location (Merret and Gruidl, 2000)
  - Size and sector (Cliff, 1998; Du Reitz & Henrekson, 2000)
- Comparative performance by gender (Rosa et al., 1996)
  - Lower sales turnover and fewer employees
  - Serving local markets and less ambitious to grow
- Growth as a risk (Cliff, 1998; Chung, 1998)
- Limited access to financial resources (Carter and Allen, 1997)
- Lack of/access to financial, human, and social capital (Chell and Baines, 1998; Boden and Nucci, 2000)
- Lack of early planning, quality control, organised structure (Gundry and Welsch, 2001)



# Women-Owned Enterprises and Growth (Theoretical Framework)

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- Diana Project ([Brush et al., 2004](#); [2005](#); [2006](#))
  - Choice of industry/sector with low growth potential
  - Lack of economic power and the social and family support structure to grow their businesses
  - Endowment in human and financial capital
  - Lack of appropriate social capital limits their opportunities to raise growth capital



# Methodology

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- Online Questionnaire via email and a weblink using 'snap'
- 18.73% (517/2760) response rate
- 40 face to face and 20 telephonic interviews for inductive analysis and interpretation



# Methodology

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## Design

- Measurement of Growth - (Altinay and Altinay, 2006; Hisrich et al., 2005; Baygrave and Zacharakis, 2004; Hitt, Ireland, and Hoskisson, 2003; Buttner, 1993)
- Measurement of social capital
  - Size and composition (Renzulli et al., 2000)
  - Contents of network exchanges (Blackburn et al., 1990; Renzulli et al., 2000; Coviello, 2005; Shaw et al., 2005)
  - Strength and density (Aldrich, 1989; Davidsson and Honig, 2003)
  - Trust and community activities (Mitchell and Jesselyn, 2005)
- Measurement of human capital
  - Education, work experience in the same sector, management/business training (Becker, 1964; Bruderl et al., 1992; Hayton, 2005)
- Measurement of human resource strategy
  - Recruitment method, employees' training, incentives (Basu and Goswamy, 1999)
- Measurement of the Firm's Characteristics
  - Legal status, business sector, business age (Altinay and Altinay, 2006)



# Methodology

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- Statistical analysis using SPSS
  - Frequency analyses of the demographic - geographical, educational, marital, ethnic, sectoral, as well as type of establishment and the age of the entrepreneur.
  - One way ANOVA and post hoc tests - multiple comparisons and to draw mean plots
  - Regression analysis - the level of employment, revenue, and profit growth based on the respondents' scores on the individual variables of social capital and human capital groups.



# Methodology - Limitations

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- Limited to three English regions
- Growth criteria - annual sales turnover and number of employees
- Following were not considered
  - Number of customers
  - Proxy performance measures (geographical range of markets, VAT registration);
  - Subjective measures (including the ability of the business to meet business and domestic needs);
  - Entrepreneurial performance measures (the ownership of multiple businesses)



# Findings

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## Demographics

- Service sector (75%), Trading (16%), Manufacturing (9%)
- Sole proprietor (62%)
- London (36%), East (35%), South East (29%)
- 35 years or younger (60%)
- Prior work experience in the same sector (62%)
- Formal business training or education (17%)



# The Firm's Characteristics

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- Legal status at start-up
  - Business age
  - Business sector
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- No significant effect of the firm's characteristics (owned by women entrepreneurs) on compound employees growth rate, compound revenue growth rate, and compound profit growth rate.



# Human Resource Strategy

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- Formal recruitment methods at start-up and now
  - Employees' training
  - Incentive scheme for employees
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- Firms owned by women entrepreneurs with a “positive” human resource strategy show higher compound employment growth rate, revenue growth rate and profit growth rate.
    - Correlation is significant at .001 level (2-tailed)



# Human Capital

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- Education
  - Work experience in the same sector
  - Business/Management education
  - Business/Management Training
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- Firms owned by women entrepreneurs with higher human capital show higher compound employment growth rate.
    - Correlation is significant at .05 level (2-tailed)
  - Firms owned by women entrepreneurs with higher human capital show no significant effect on compound revenue growth rate and compound profit growth rate.



# Social Capital

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- Size and composition
  - Contents of network exchanges
  - Strength and density
  - Trust and community activities
  - Norms and values
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- Firms owned by women entrepreneurs with higher social capital show higher compound employment growth.
    - Correlation is significant at .001 level (2-tailed)
  - Firms owned by women entrepreneurs with higher social capital show higher compound revenue growth.
    - Correlation is significant at .001 level (2-tailed)
  - Firms owned by women entrepreneurs with higher social capital show higher compound profit growth.
    - Correlation is significant at .05 level (2-tailed)



# Factors contributing to Growth

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- High quality (of products and/or services)
- Effective networking
- Appropriate marketing
- Development of new products and services
- Appropriate business training
- Effective website
- Easy access / availability of finance (when needed)