

WHY WOMEN ETREPRENEURS RUN SMALLER BUSINESSES THAN MEN

(AND DOES THAT MATTER?)

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MEET DICK AND JANE

Dick invested in a small local company that manufactures outdoor cooking equipment in **hopes of growing it into an international brand**. He compiled the business plan with financial projections, and brought in \$1.2 million in capital, recruited key staff to supplement his expertise, researched moving the manufacturing component to Mexico to reduce costs, and worked with a marketing consultant to craft a marketing plan. He even found a celebrity chef to endorse the product.



Jane is a CPA who left a big eight firm because she was weary of the travel and eighty-hour weeks. She **wanted to spend more time with her children**, so she hung out her shingle and has a small accounting practice; just her and a part time assistant. She makes a good living and gets to pick up her children from school every day and work reduced hours when they are off for school holidays.

While these vignettes are slightly exaggerated, generally speaking, **women-owned firms are smaller than men-owned firms**.

It's true.

A recent Department of Commerce report makes it hard to deny. But before we get to those statistics, let's look at some the good news.

THE FACTS

The Center for Women's Business Research reports:

- **8.3 million firms** are owned by women (50% or more), **employing more than 7.7 million people**, and generating **\$1.3 trillion in revenue** as of 2012.
- Women-owned firms (50% or more) account for **40% of all privately held firms**.

According to the Department of Commerce report:

- From 1997 to 2007, the number of women-owned businesses **grew by 44%, twice as fast as men-owned firms.**
- Women-owned firms added **roughly 500,000 jobs while other privately-held firms lost jobs.**



So that's the good news. Now for the other statistics:

- Only **one in five firms** with revenue of \$1 million or more is woman-owned
- **1.8% of all women-owned firms** have revenues of \$1 million or more, compared with **6.3 % of men-owned firms**
- While the number of women-owned firms continue to grow in number at rates exceeding the national average, **they are not moving along the growth continuum**
- Only **13% of women-owned businesses generate more than \$100,000 per year in sales**, compared with **30% of businesses owned by men.**
- Only **12% of women-owned businesses have employees** in comparison with **23% of businesses owned by men.** In 2007, companies owned by women had an average of 8 employees, while their male counterparts had 13.
- In 2007, the **sales of the average women-owned business were only \$153,000**, a quarter of the **\$612,000 of the average business owned by men.**

And here are two sad statistics:

- **Self-employed women earn only 55% of what self-employed men earn.**
- **Women in professional services firms tend to set lower prices than men for the same services.**

Ouch!

DOES SIZE MATTER?

Does it matter that women-owned businesses are typically smaller than men-owned businesses? Are we in some kind of gender competition (again)? What's wrong with being satisfied with my business, even if it's not a million dollar biz?

Nothing. *Not one thing.*

It takes a lot of courage to be an entrepreneur, no matter what size business you run. Women learned a long time ago that we don't have to take on masculine values or values to be successful.

Take another look at those facts and figures. **None of those statistics measure happiness – your happiness or the happiness of your family.**

The real question is, **does it matter to you?** That depends on your perspective, your priorities, and quite likely the “season” of your life.

Read on, see the factors that add up to these facts, **and you decide if it matters to you.**



WHY? THE BUSINESS FACTORS

I've worked exclusively with women business owners since 1999, and will share what I have observed over the years. It's always risky to generalize, but in order to explain what I've seen, I have to make some **generalizations.** These observations will not apply to every female (or male) business owner. I can think of many exceptions. But over a period of time, it is possible to see trends and common denominators.

I see **six primary factors** that lead to women running smaller businesses than men:

1) WOMEN START WITH DIFFERENT MOTIVATION

Sometimes women see themselves more as "self-employed" than being a "business owner."

I have a friend who owns a thriving business – dog walking! She's busy every day of the week and has a long waiting list for clients. She loves what she does, particularly the fact that she sets her own schedule. When I asked her if she attends conferences for women business owners, she said, "*Well, I'm not really a business owner. I think I'm just self-employed.*"

Like my friend, very often, when women start their business, there are a few common themes:

- They want the **perceived flexibility** that comes from being self-employed, in order to be more present and engaged with their **families**.
- They know they are good at what they do and believe **they can do a better job at serving the clients and running the business than the company they work for**.
- They are tired **of the politics and insensitive demands** of corporate life.

These three factors lead them to launch out on their own, but **it's more about being autonomous than it is about "being the boss."**

2) WE'RE NOT THINKING BIG

It's true that some men begin businesses in a similar way. It's also true that more men than women start businesses as an "**enterprise**" where **from the beginning** they have a **vision of a large company with themselves at the helm**.

For example, as in the brief story above, Dick saw an opportunity to grow a company that manufactures outdoor cooking grills. **He sure didn't picture himself working at a welding machine**, cranking out one or two products a week. Men generally envision a large enterprise with a management team, a CFO, a marketing director, and line staff that does the actual work.

Women see themselves *doing the work*, not being captain of the ship.

3) SERVICE BUSINESS MODELS

Women often start service businesses, and when they do, they begin in the **“technician” role** -- they are the one delivering the service. Whether it’s graphic design, public relations, legal work, or being a veterinarian, no matter what the specifics are, they **begin in the role of “doer” and not in the role of “manager” or “leader.”**



I have rarely seen a woman start a service firm and with the vision of growing it into a national or international endeavor. They see themselves happily engaged with clients, perhaps with a partner, maybe with a small support staff. **They don’t often see it as an, “I’m going to change the world” venture.**

Many women choose business ownership because **they want flexibility and believe they can set their own hours** and be more available to their children and families. When women launch service companies with the vision or intention of delivering the service themselves, **three recurring factors limit growth:**

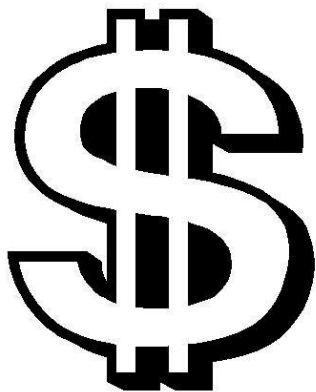
- Depending on how you organize your business, **sometimes you get what you want. But if you are working off the “billable hours” model**, sooner or later you simply run out of hours you can bill (or hours in the day!) without adding staff. As your business grows and the demands become greater, while the hours you work might be flexible, **the schedule you keep can become oppressive.** You find yourself working late into the night to complete projects or meet deadlines. **The revenues aren’t sufficient to hire help because your pricing was based on just paying you** -- simply billing out your own hours -- and there’s not enough profit margin to allow for staff. **Not to mention that nasty statistic that women generally charge less than men for the same service.** Your growth will stop unless you decide to change your business model.

- The women who get past that hurdle and hire several employees must **transition to a leadership role**, which means holding people accountable. You have to grow from a “doer” to a leader, and I've seen many women struggle with that transition.
- Your **clients are bonded to you** as the founder, which makes it difficult to hand clients off later, even to expert staff. That limits growth.

4) I JUST DON'T LIKE NUMBERS

I can't tell you how many times I've heard this! Many women business owners say they **don't understand the numbers**. No, they are not stupid and yes, they understand math. But many have an aversion to really digging into the income and expense statements, and don't fully understand their balance sheets. They often don't understand the importance of measuring key metrics, for example, the number of leads and the percentage of sales to leads, or the revenue generated per employee, or the dollars generated per square foot.

5) AVERSION TO DEBT



I often hear women proudly say, **"I have no debt."** While Dave Ramsey is right to that our goal is "no more debt," that doesn't mean you should be afraid of debt. It means you should think about it more strategically. It would be great to buy a house with cash, too, but most of us can't. There is a smart way to buy a house with debt. Keep your sanity.

While it feels great to run a business with no debt, it could be that borrowing a little capital could be just what the business needs to get to the next level of growth. A new piece of equipment or an investment in a robust marketing campaign might launch the business to the next level. But unless women have a specific financial background, they often don't think in terms of leveraging money.

Some might believe that the reason women-owned businesses are smaller is because we lack skills, lack opportunity, or lack funding. In all my years working with women business owners, I have **rarely seen a business stunted because they were refused capital**. It's much more common to see a business whose growth is stunted because they never asked for capital.

6) YES, THERE REALLY IS A GOOD OLD BOY NETWORK

Talk to any business man who plays golf and he'll tell you: **plenty of deals and connections are made on the golf course**.

Because women socialize differently, they **might not make the same connections** that come from activities so common to men, such as fraternities, golf outings, and hunting trips. Women generally don't participate in those networks, and **don't hear the same kinds of conversations** or get the same **introductions** (for example, to bankers, investors, potential clients, key management staff, etc.).

Women have to make extra effort to put themselves in the right situations and to be taken seriously in chambers of commerce, industry associations, financial markets and make the right connections for credible introductions or recommendations.

WHY? THE PERSONAL FACTORS

In addition to the business factors, there are a **few personal and sociological factors** that contribute to the size of the endeavors women run.

1) WOMEN WANT DIFFERENT THINGS

Generally speaking, **women want different things**. One of my clients said it poignantly: *"I want enough time to love people."*



Women define success very differently than many men. Studies show that men are genetically wired to be more competitive, and define success as “winning” or having more material success, while women commonly define success in terms of their relationships.

I’ve heard many women say that they do want to grow, yet they have **responsibilities of children or aging parents** to consider, and simply can’t do anything that they believe would translate into more responsibility.

One woman I know **found out she was pregnant**, just as her **mother was diagnosed with both liver disease and Alzheimer's**. She had the sole responsibility of managing her mother's health care, being responsible for selling her mother's home and sorting out her belongings, all while preparing to bring a baby into her 80-hour work week!

I remember another client saying, ***“I can’t decide. Should I have another baby or blow the doors off this business?”*** She blew the doors off the business!

The point isn’t what she decided. The point is, **for a woman, that’s likely an either/or choice**. For a man, that might not be the case.

2) WOMEN ARE LESS MOTIVATED BY “BIG”



Now remember, I said I was making some generalizations here, and there are **many women motivated by profits** and many **men who won’t trade time with their children for business growth**. But generally speaking, women are more concerned with having a balance between their personal and professional lives.

A recent study of female entrepreneurs showed that over 70 percent of women said that juggling work/life balance was their biggest challenge; for younger women that number was 83 percent.

Women are much more likely to hold back on the reins of business growth, telling themselves, *“My children will only be young for a short period of time and I don’t want to miss out on their lives.”*

I’ve also seen some women who are decidedly unmotivated by the thought of "big" because they **don’t want the demands of a larger staff**. Because women are so relationship driven, to a woman, sometimes having more employees translates into bearing a **heavier emotional toll**. Some deliberately keep their business small, so as not to overwhelm themselves with the personal issues of so many people.

3) ITS REALLY NOT “ALL ABOUT ME”

Women view things with a 360 degree view, **considering how any action or decision affects everyone**, whereas men often see things only in terms of how it affects them. So the choices about business growth feel more complicated and burdensome to women.

I’ve seen men risk \$100,000 and more in a business venture with little planning, while I’ve seen women very reluctant to even invest \$25,000 into a franchise (which has a greater chance of success) because they **feel guilty** about using resources to buy a business for themselves when their perception is that these same resources could benefit the entire family.

4) LET’S BE HONEST ABOUT HOUSEWORK

Even now, **women still bear the primary responsibility for taking care of the home and the children.**

Though there has been some movement toward more parity here, the 2010 Shriver Report, tells us, *“Inside the home, men continue to do less (usually much less) of the housework and care work than their wives—even though the number of hours they devote to work around the house has risen...yet remarkably, amid this rising double duty, mothers have not reduced their hours of parenting.”*

How much mental and creative energy is available to grow a business when a woman is still the primary person responsible for making sure the household runs smoothly, the laundry is done, meals are on the table, and the children are cared for (not to mention that the dog has to go to the vet)?

5) THE DIRTY LITTLE SECRET



There is one more factor that I see, which contributes to the stats that women's businesses generate fewer dollars than men's -- and frankly **it's a little uncomfortable to talk about**. Many female business owners are married and **are not responsible for being the primary breadwinner**. Their husbands earn a comfortable living, and while the women's income contributes to the family financial security, sometimes they don't even need to make a profit. In fact, sometimes they don't.

No one wants to talk about it, but there are some women business owners who **appear** quite successful, yet their financials would tell a different story. I make no judgments about that. It may fit perfectly into their lives, families and priorities. But we need to realize that it certainly **does affect the statistics** about the size of women-owned businesses.

I don't have statistics about this, but I wonder how many female entrepreneurs are single or are the primary breadwinners in their families, and truly need to get profitable quickly and earn a significant income long term.

AGAIN...DOES IT MATTER?

I'm just one voice, but no, I don't think the size of your business matters.

I think *you* matter.

And I'm guessing it matters to you more than you let on. I think you want to be paid what you're worth.

I think it matters if you **want to grow and don't know how**. It matters if you are **capable, and are holding yourself back with self-limiting beliefs**.

I think it matters if **you have the skills, the smarts, the energy, and lack the confidence**. It matters if you are just **not thinking big enough**. I think it matters if **fear is holding you back**.

I think it matters because while women may not be motivated by "big" they *are* motivated by "better" – **they want to create better lives for themselves and their families**.

Most women I know want to be in a position to **help their parents** when the time comes.

Women want to **donate to causes that touch their hearts**. They want the safety of knowing their **retirement is secure**. And damn it, they **want to hire a housekeeper or a personal assistant** – to go to the dry cleaners, pick up prescriptions, take the dog to the vet – and to free them up from the burden of having two jobs.

Women want the **freedom and the choices** that more profits bring. But **they fear that growing their business just means more work, more sacrifice, more craziness**.

That's not true. Let's separate reality from myth.

Staying small doesn't necessarily mean less work and fewer demands. **Sometimes staying small is what causes the craziness**. With the right strategy and a willingness to learn, your business can grow and actually get you more freedom, more time – for your family, for fun, for yourself.

You can get the freedom and flexibility that you want when the business is not so dependent on you. *It's not as hard as you think.*

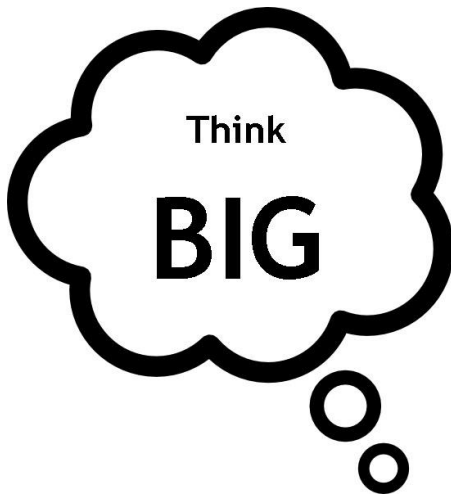
IF YOU WANT TO GROW

If the vision you have is to **truly grow** your business beyond a “lifestyle” business and into a “growth business,” then it’s time to look at **ways to make that happen**. The first two questions to ask yourself are:

- Do you have **self-limiting beliefs** that are holding you back?
- Can you **identify and overcome the fears** that might keep you from fulfilling your potential?

Here are **four things to think about if you want to grow**:

1) **EXPAND YOUR VISION - DREAM A LITTLE**



The growth process begins with having a **bigger vision and setting high goals**. Research shows that the entrepreneur’s desire for growth is the **biggest factor in success**. If that’s the direction a woman wants to go, she must engage in a learning process about strategic planning, and establish the structure and culture of setting goals and holding people accountable.

Research also shows that **the most successful business owners think big from the beginning**.

I think this factor can be **best understood through the words of Tom Watson, the founder and CEO of IBM**:

*"IBM is what it is today for three special reasons. First, **at the very beginning, I had a clear picture of what the company would look like when it was finally done.** Second, once I had that picture, I asked myself **how a company like that would need to act.** Third, IBM has been successful because after I had a picture of how IBM would look when the dream was in place and how such a company would need to act, I realized that **unless we began to act that way from the very beginning, we would never get there.**"*

Well said Tom.

Tom Watson had a big vision and realized he would need to act out that big vision from the very beginning.

I bet you have dreams too. We can show you how to [expand that vision](#).

2) YOU HAVE TO LEARN THE NUMBERS



Growth also means a woman has to **understand the numbers.** You simply can't run a successful business without an understanding of **what needs to be measured.** Some of these numbers come from the balance sheet and the profit and loss statement. But many more, known as ["key indicators"](#) do not come off the P & L. For example, you may need to measure and track the average sale size, the number of new leads per week, the amount of wasted material, the number of mistakes made in a week, the dollars per square foot. There is no single set of key indicators that works for every business. They will depend on the industry and the stage of growth of the business.

Understanding your number is not as hard as you think. We can help you learn to measure and track the numbers that will move you forward.

3) MAKE FRIENDS WITH BANKERS

Get comfortable with more risk and a little debt. That's a scary thing to say in economic times like this, but I can't tell you how many women I've heard over the years speak so proudly about having no debt. Yet their unwillingness to have a simple line of credit or a small loan for equipment has held the company back.

The **best time to apply for credit is when you don't need it.** Don't wait until you are in a bind to establish a credit line.

A good CPA who is highly experienced working with business owners can help them understand the ratio of debt to income and make those decisions.



4) CHANGE YOUR BUSINESS MODEL

If you're in a service business or working from a "billable hours" model, **rethink the way your company generates a profit.** You'll need to change your business model, make a plan for growth, and hire others to deliver the service. You can leverage other people – employees or outsourced services – and **make more money while working less yourself.**

You'll likely need to increase your fees. Many women fear this step, but most of the time **they've been charging under market prices to begin with.** They worry that they will lose clients (actually, this rarely happens). Competing on price is typically a losing proposition.

Confidence is the key here, and we can help you with this. **We can show you how to get through this growth stage** so that the business is not so dependent on you.

5) LEARN - EDUCATE YOURSELF

You're an expert in your own industry, now it's time to learn how to be a business owner. It's time to learn what men know – learn how to leverage money and other people's skills to grow.

It's time to **learn how to be the CEO**, learn to be **in charge of the process and lead your team.**

Education is power. Learning opportunities are everywhere, and cover every topic you need – marketing, sales, public relations, how to hire great employees, how to understand your financials, how to plan for growth.

Learning networks specifically for women are a critical factor for female entrepreneurs, as articulated by Sharon Hardesty in a 2010 Wall Street Journal article: *“Research shows that in general, women approach business leadership with a different perspective than men do, and as a result they relate more easily to the experiences of other women business owners.”*

At a 2010 conference for women business owners hosted by the Riata Entrepreneurship Center, **all five keynote speakers recommended joining a peer advisory group** as the best way to learn how to grow your company. Women need to tap into the community of **learning networks specifically for women.**

Learning designed specifically for female entrepreneurs takes into consideration the gender differences, so that you lead like a woman, not a man.

WHAT'S THE ANSWER?

I can't tell you what's right for you. I *can* help you grow.

Each woman needs to decide for herself what her ambitions and priorities are.

I do believe that **women often want more than they admit**, and I know that **fear holds them back.**

They **want a better life** for themselves and their families, and their **self-limiting beliefs get in the way**.

They play small, and that feels sad to me. They live out old "stories," based on assumptions that aren't accurate. It's sad to see women operating from myth instead of facts.

What's important to me is **to see women feel confident enough to fulfill their highest potential and dreams**, to not be limited by fears and self-doubt.

I know that if you want to grow, you have to **strengthen yourself first**. You can learn all the business tips, tools and tricks, and **unless you have the inner confidence to know you can put them in place, you'll still play small**.

If you want to grow, personally and professionally, **stay tuned!**

Our new program, ***The Alpha Mare: Embrace the Grace of Power***, will take you through a journey to help you think big, pursue your passions and embrace your full potential.

Wishing you your version of success!

Darcie Harris is a champion for women. An international speaker, trainer, and business consultant, she founded EWF International, a company offering peer advisory groups, coaching and consulting for female entrepreneurs and executives, and the Alpha Mare Academy, an online educational resource for women business owners. To learn more, visit www.alphamareacademy.com, or email darcie@darcieharris.com.