

The *Groundbreakers* series: driving business through diversity

# Scaling up

Why women-owned businesses can recharge the global economy



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# Executive summary

The global recession could cause the loss of 25 million jobs worldwide by the end of 2010, and the total could reach 57 million if the recovery doesn't achieve momentum, reports the Organisation for Economic Co-operation and Development (OECD).

Desperate to turn things around? Take a fresh look at women-owned businesses. Far from being a niche market, they can be the tipping point for a global economic comeback. A new study by the Center for Women's Business Research shows that the 8 million women-owned enterprises in the US have an annual economic impact of nearly US\$3 trillion dollars. They create or maintain more than 23 million jobs – 16% of all US employment. Worldwide, women own or operate 25% to 33% of all private businesses, according to the World Bank. Women-owned enterprises grow faster than those owned by men and faster than businesses overall.

Still, hampered by economic, legal and cultural obstacles, many women fail to increase the scale of their enterprises enough to trigger significant economic renewal. By taking swift action to address these challenges, policy-makers can generate powerful payoffs:

- ▶ Even during the steepest recessions, entrepreneurs have developed new products and services and created jobs to jump-start the economy. Investing in fast-growing women-owned businesses boosts their chances of doing the same.
- ▶ Women entrepreneurs have economic clout. Greater participation of women in the labor force correlates with higher GDP growth. Households where women have more control over resources enjoy higher savings rates and increased spending on children's health and education.
- ▶ In many countries, women grapple with discriminatory laws. Legal and administrative reforms can stoke women's entrepreneurial activity and accelerate economic development.
- ▶ Women entrepreneurs have distinctive needs – such as access to capital and business networks – that, if met, can help them scale up their businesses and drive economic revival.

Certain conditions, programs and actions have made a difference. For the third time, the US government has appointed a woman as Secretary of State, and has created a new position, Ambassador-at-Large for Global Women's Issues, sending a clear signal to the international community. Also notable are efforts such as the World Bank's Gender Action Plan, Goldman Sachs's 10,000 Women initiative, the Nike Foundation's investment in girls' education in developing countries, and Vital Voices Global Partnership's support of emerging women leaders.

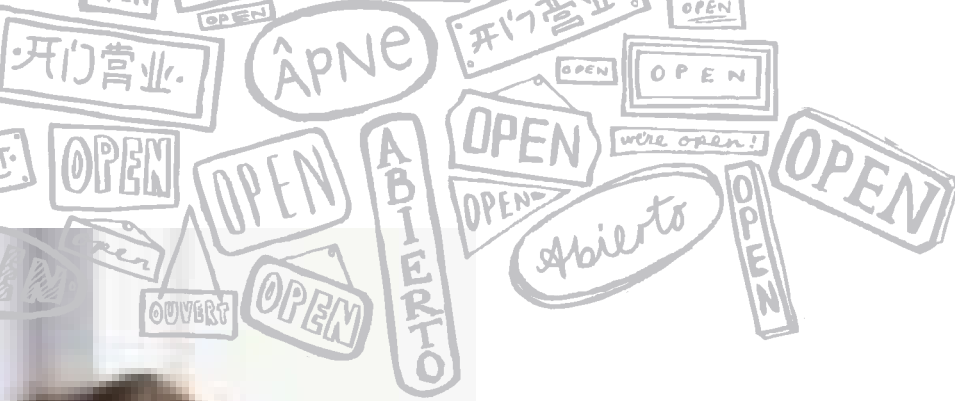
These efforts are showing remarkable success, but they are just the beginning. We must build on them to turn women entrepreneurs into agents of positive and effective change. This will result in the ultimate win-win situation: good citizenship, good business and a stronger global economy.

If women entrepreneurs in the US started with the same capital as men, they would add a whopping 6 million jobs to the economy in five years – 2 million of those in the first year alone.

Babson College







# A failsafe investment: women entrepreneurs

In both emerging markets and developed countries, enterprising women encounter gender-specific obstacles that cannot be easily overcome without the intervention of the public and private sectors. Their focused efforts will go a long way toward helping women revitalize our global economy.

Entrepreneurs, in general, have a critical role to play in fostering innovation, which economists view as a key factor in national GDP growth. A report published in January 2009 by the Ewing Marion Kauffman Foundation found that between 1980 and 2005, firms less than five years old accounted for all net job growth in the US. Another Kauffman Foundation study, released in June, reports that more than half of the companies on the 2009 Fortune 500 list, and just under half of those on the 2008 *Inc.* list, were founded during a recession or bear market. The study also reports that job creation from start-ups is less volatile and less sensitive to downturns than job creation in the entire economy. It makes sense, then, to look to entrepreneurship to stoke economic growth at a time of need.

## Sound spending patterns

A new report from Goldman Sachs's Global Markets Institute (*The Power of the Purse: Gender Equality and Middle-Class Spending*, August 2009) makes a compelling argument for gender equality, noting that it "fuels growth, by bringing women into the labor force and by raising

the overall level of human capital, productivity and wages." Several other studies report that differential control of income translates into different spending patterns. For example, men spend more of their income on goods for their personal consumption – such as alcohol and tobacco – than women do. In contrast, women tend to spend more on items for their children or the household.

"Women usually reinvest a much higher part of their earnings in their families and communities than men, spreading wealth and creating a positive impact on future development," Otaviano Canuto, Vice President of the World Bank's Poverty Reduction and Economic Management Network (PREM), has been quoted as saying in the organization's newsletter. "In Bangladesh, Brazil, Kenya and South Africa, among other countries, evidence shows that children's welfare in poor households, including nutritional status and schooling attendance, improves more when income is in women's hands rather than in men's. ... As we set about rebuilding economies in developed and developing countries, we need policies that help put earnings in women's hands in poor households." Research also shows that when women are the direct beneficiaries of credit, their repayment rates are higher in all regions of the world.

Between 1997 and 2006, majority women-owned firms in the US grew at nearly twice the rate of all US privately held firms.

Center for Women's Business Research

### **A powerful force for economic and social stability**

Investing in women is prudent for several other reasons, including the fact that they represent enormous purchasing power and the potential to stabilize shaky economies. Women will drive an incremental US\$5 trillion in global spending in the next few years, according to a recent study of 12,000 women in 22 countries

conducted by Boston Consulting Group (BCG). Since women are likely to best understand and sell to this market, stimulating women's enterprises is critical to taking advantage of what BCG calls "the most important commercial opportunity in our lifetime."

A more fundamental reason is that societies in which women have greater economic and political participation tend to be more stable. In their recent book, *Half the Sky: Turning Oppression into Opportunity for Women Worldwide*, which profiles several women entrepreneurs who have had a powerful impact on their communities, Nicholas Kristof and Sheryl WuDunn argue that "when women gain a voice in society, there's evidence of less violence." They believe that "one way to soothe some conflict-ridden societies is to bring women and girls into schools, the workplace, government, and business."

*Stronger Women: Stronger Nations*, a series of reports on conflict-ridden areas published by Women for Women International, Public International Law & Policy Group and American University, recognizes the key role that women play in establishing peaceful and stable societies. Their 2007 report on Kosovo notes that "the incorporation of women's views into traditionally male-dominated political processes is vital to achieving sustainable peace, democracy and prosperity."

The positive influence of women on government is no less striking. In one of the most convincing statistical studies to date, the World Bank Development Research Group, along with Columbia

Globally, women control nearly US\$12 trillion of the overall US\$18.4 trillion in consumer discretionary spending. In the next five years, women will control US\$15 trillion. By 2028, they will control nearly 75% of consumer discretionary spending worldwide.

The Boston Consulting Group, 2009



University, examined the relationship between female participation in government legislatures and the level of perceived corruption in a sample of more than 100 countries. “We find a strong, negative, and statistically significant relationship between the proportion of women in a country’s legislature and the level of corruption,” the researchers concluded. Less corruption would benefit not only women entrepreneurs but also all businesses in general.

“Research demonstrates that progress in the area of women’s economic empowerment is still far, far too slow. Whether it is the question of employment, opportunity, pay, or access to finance, there is a tremendous amount of work to do to level the playing field for women.”

Robert B. Zoellick, President, The World Bank Group

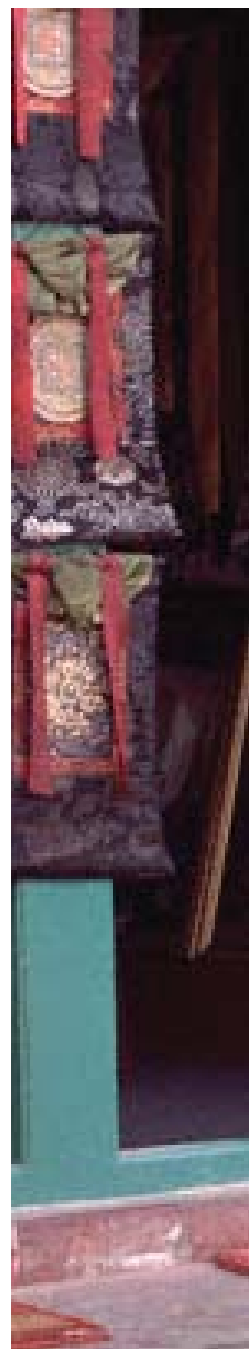
### Gender gap fuels entrepreneurial activity

Yet, despite significant progress in some countries toward narrowing the gender gap, widespread disparities exist. Women have yet to reach equality with men on such measures as educational attainment, wages, political empowerment and economic participation. According to information collected by the International Trade Union Confederation, the worldwide gender pay gap ranges from 3% to 51%, with a global average of 17%. Even in developed markets, the gap in wages can be stark: on average, women earn 15% less than men in Europe and 22% less in the US. Women make up half of the US labor force, yet they are clustered in low-paying jobs and rarely make it to the top echelons of business, according to a new study by journalist Maria Shriver and the Center for American Progress (*The Shriver Report: A Woman’s Nation Changes Everything*, October 2009). Their vigorous entrepreneurship may be a response to the lack of flexibility and opportunity they encounter in the workplace.

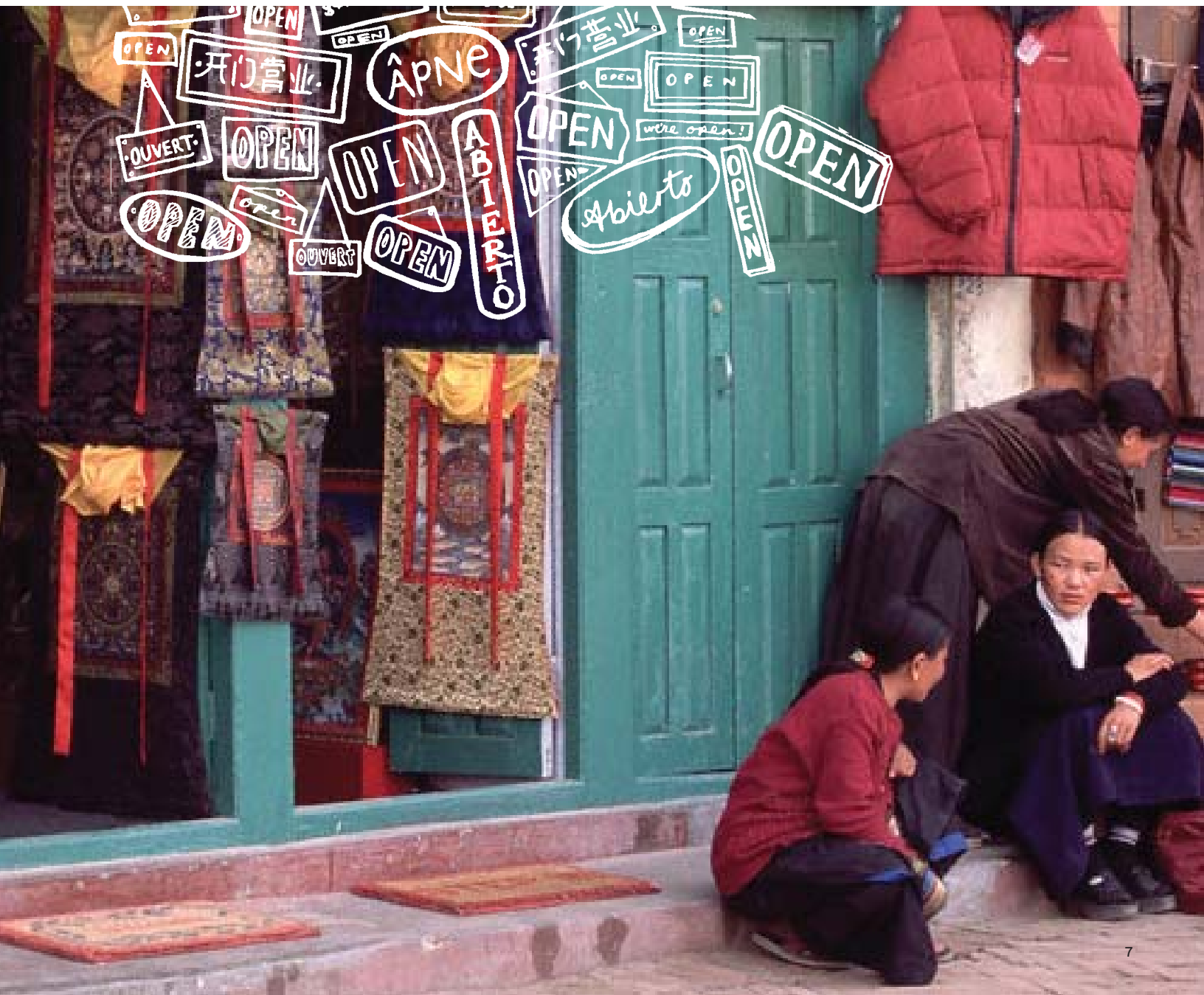
Entrepreneurship, therefore, offers women a more viable route to income parity, which in turn decreases household poverty and, in the long run, leads to economic growth. In fact, economic analyses by the World Bank, United Nations, World Economic Forum, Goldman Sachs and other organizations show a significant statistical correlation between gender equality and countries’ economic development; World Bank Group President Robert Zoellick has famously described gender equality as “smart economics.” He has committed to gender parity in the leadership ranks of the World Bank and has formed an innovative collaboration with leading global companies – the Global Private Sector Leaders Forum – to focus on advancing gender equity around the world.

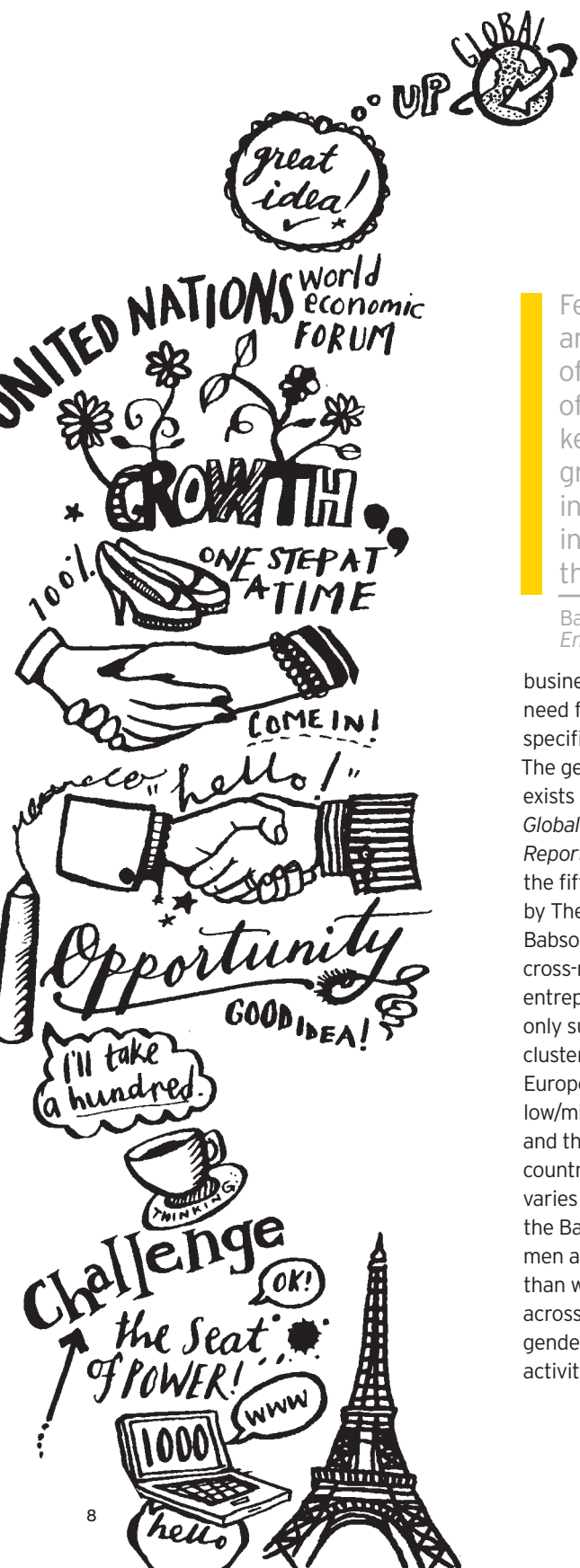
### Thinking big(ger)

Women entrepreneurs in all markets have great potential to expand their businesses. Data from the OECD shows that women in Canada make up a larger share of the self-employed than in any other country; the Bank of Montreal’s Institute for Small Business reports that in Canada, women own and/or operate 30% of all firms. Yet the 2003 Prime Minister’s Task Force on Women Entrepreneurs found that although women-owned firms were the fastest-growing segment of the small-business sector, women continued to face gender-specific barriers for the start-up and growth stages of their









Female entrepreneurship is an increasingly salient part of the economic makeup of many countries and is a key contributor to economic growth in low- and middle-income countries, particularly in Latin America and the Caribbean.

Babson College, 2007 *Global Entrepreneurship Monitor Report*

businesses. The Task Force identified “a huge need for support services and programs specifically geared to women entrepreneurs.” The gender gap in entrepreneurial behavior exists worldwide and at all income levels. *The Global Entrepreneurship Monitor (GEM) 2008 Report on Women and Entrepreneurship*, the fifth in a series of reports published by The Center for Women’s Leadership at Babson College, provides a comprehensive cross-national assessment of women’s entrepreneurial activity in 43 countries – the only survey of its kind. It covers three country clusters: (1) low/middle income countries in Europe, Asia, the Middle East and Africa; (2) low/middle income countries in Latin America and the Caribbean; and (3) high-income countries. Although entrepreneurial activity varies widely across countries and regions, the Babson researchers found that overall, men are more likely to be entrepreneurs than women, with entrepreneurial behavior across the globe yielding “a clear picture of a gender gap in venture creation and ownership activity.” In all three country clusters, the

gender gap is evident for both early-stage and established businesses (see chart on page 29).

In addition, women face greater difficulty than men in scaling up their businesses. For example, in the US, the Center for Women’s Business Research reports that while women start businesses at twice the rate of men, only 3% of these firms attain US\$1 million in annual revenue, compared to 6% of men-owned enterprises. Similarly, in Canada, the number of self-employed women has surged 50% since the early 1990s – to about 800,000 currently – and the number of women-owned businesses is growing 60% faster than those run by men, according to the banking institution CIBC (*Women Entrepreneurs: Leading the Charge*, 2005). Yet one-third of all women-run enterprises generate less than C\$50,000 in annual revenue, double the rate of firms run by men. At the same time, more than a fifth of men-owned businesses generate annual revenue of C\$500,000 or more – almost double the rate of women-run enterprises. Δ

The financial crisis will come to an end, and now is the time to lay the foundation for postrecession growth. A focus on women as a target market – instead of on any geographical market – will up a company’s odds of success when the recovery begins.

“The Female Economy,” *Harvard Business Review*, 2009

# Q&A: steps toward gender equality

Achieving gender equality is a daunting task, but it is the main objective of the International Center for Research on Women (ICRW). Beth Brooke, Global Vice Chair, Ernst & Young, spoke with ICRW President Geeta Rao Gupta about the major obstacles facing women entrepreneurs in developing countries and what some organizations are doing to remove those barriers.

**Beth Brooke:** How can we best address women's lack of access to capital in developing economies?

**Geeta Rao Gupta:** Access to capital is a big constraint, and microfinance has been effective in addressing that. The issue now is how to get women to grow beyond microfinance – how to get larger loans. Banks see lending to women as a higher-risk undertaking, and in many countries, women don't have the right type of collateral (the housing or land) to get a bigger loan. We need to improve women's access to the legal advice they need to enforce their legal rights.

**Beth Brooke:** The developing world has made some progress in educating girls and women, but how can they transition effectively into the labor force?

**Geeta Rao Gupta:** One solution is to develop programs to help them make that transition. Vocational training while in secondary school, internships with corporations – these are ways for girls to make a smoother transition from school to work. Traditionally, girls are taught how to weave baskets and sew, and there's only so much money you can make doing those things. They're socialized in a way that

limits their confidence and makes it hard for them to acquire basic business skills, such as negotiating.

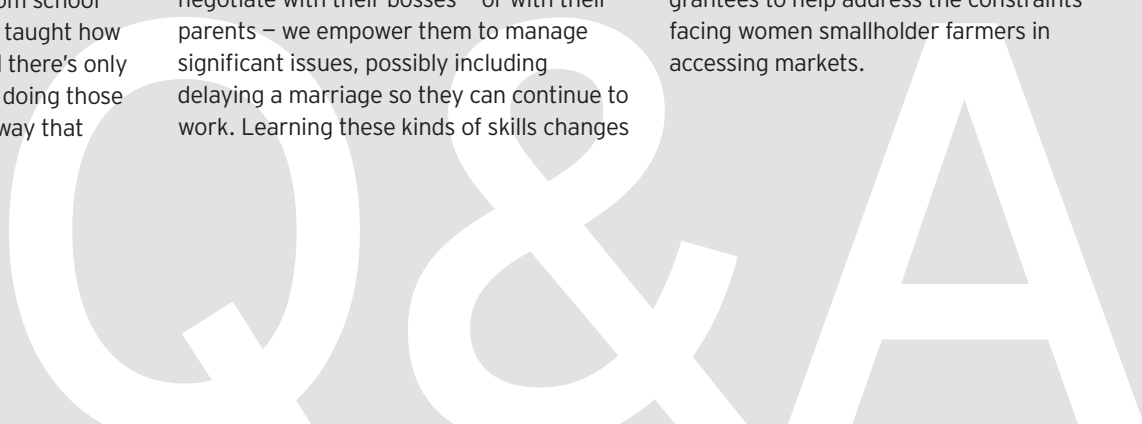
**Beth Brooke:** How can women best acquire these skills?

**Geeta Rao Gupta:** Together with a well-known global apparel manufacturer and select nongovernmental partners, we have developed a program aimed at garment factory workers, most of whom are girls and women. The program helps them develop the skills they need to advance their careers. Women usually make up the majority of factory workers, and they are hard-working, but they don't often rise to a supervisory level where they can oversee the more sophisticated part of the assembly line functions. Through this program, the women working in the factories that serve this apparel company are trained in problem-solving, communicating their viewpoint, negotiating and basic financial skills. We also teach them strategies for saving money. By teaching them how to negotiate with their bosses – or with their parents – we empower them to manage significant issues, possibly including delaying a marriage so they can continue to work. Learning these kinds of skills changes

the potential of what these women can do in the workplace; instead of working simply for income, they may actually have the ability to develop a rewarding career.

**Beth Brooke:** What about mentoring, which is a critical factor in entrepreneurship?

**Geeta Rao Gupta:** Even women in the developed world have difficulty finding mentors, and in developing countries it's even harder. Private-public partnerships can help. Goldman Sachs's 10,000 Women program exemplifies one approach to solving this problem. It connects women microentrepreneurs with local Goldman Sachs employees who provide mentorship and advice after the training. At the Clinton Global Initiative, I heard a Nigerian entrepreneur who runs a catering business out of her home describe how her business grew after she received some instruction about pricing, inventory control, strategic planning and finance. We work with the Bill & Melinda Gates Foundation and their grantees to help address the constraints facing women smallholder farmers in accessing markets.



# Tackling gender-specific challenges

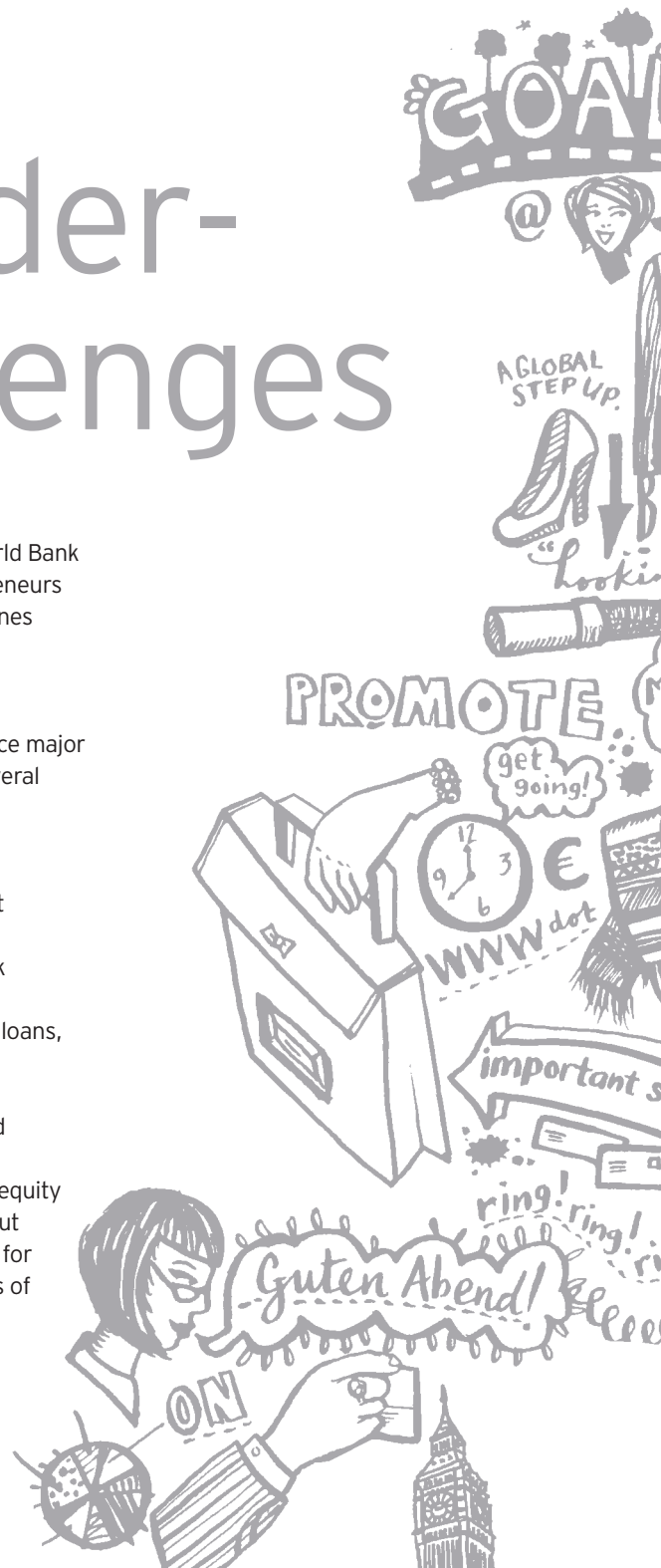
The gender gap in entrepreneurial activity has clear implications for policy-makers and business leaders. Organizations as varied as the Kauffman Foundation, the U.S. Small Business Administration, International Finance Corporation (IFC, a member of The World Bank Group) and the Danish Agency for Trade and Industry have found that women entrepreneurs face numerous obstacles when trying to establish new businesses or expand existing ones beyond a certain revenue mark. The following are among the biggest hurdles:

## **In many countries, women entrepreneurs are hampered by discriminatory laws.**

Although 40% to 50% of businesses in developing countries are women-owned, they face major bureaucratic obstacles. The World Bank/IFC's Doing Business project has identified several legal and regulatory barriers facing women. For example:

- ▶ **Kuwait** prohibits women from working after 8:00 p.m.
- ▶ **Senegal's** restrictive labor laws have forced almost half of all workers into the unregulated sector of the economy, and even in this sector, women are at a distinct disadvantage, earning only half of what men earn.
- ▶ In **Swaziland**, women require the permission of husbands or fathers to open a bank account or a business, obtain a passport or enforce a contract.
- ▶ Women in **Tanzania** rarely are allowed to own land to use as collateral for business loans, leaving them with no access to formal finance.

**Financing can be more difficult to obtain.** According to Babson College professor and entrepreneurship expert Candida Brush – one of the leaders of the Diana Project, a multiuniversity research program on women's entrepreneurship – only about 5% of all equity capital investments in the US go to businesses headed by women. Yet women own about 30% of US businesses – and just 3% get investments from venture capital. The reasons for this are complex, but they include what investors commonly perceive as the drawbacks of financing businesses owned by women: their lack of business experience and skills, reluctance to take risks and inadequate exposure to the financial world.





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**Less capital.** A Kauffman Foundation study shows that firms that start with higher levels of capital show significantly better performance; women-owned firms typically start with less capital and therefore underperform in terms of assets, revenue, profitability and survival (*Characteristics of New Firms: A Comparison by Gender*, January 2009). For example, the Kauffman Foundation, which collects annual information on US firm start-ups, began a survey of nearly 5,000 new US businesses launched in 2004 and is tracking their performance over time. So far, the survey data shows clearly that women tend to start companies using more of their own money, and less capital from outside investors, than men do. “Women raised an average of US\$58,142 from all sources compared with US\$90,259 raised by men,” says Alicia Robb, a senior research fellow at the Kauffman Foundation. “This funding gap, particularly in the early stages of a company’s development, could hurt the ability of women-owned firms to survive, generate earnings, grow and hire employees.”

**Not-so-great expectations.** Women business owners who seek debt financing report difficulty in getting bank loans and dealing with lenders. Most studies show no difference in the level of funding that banks are willing to provide women vs. men, but women appear more reluctant to apply for loans and more likely to expect rejection – perhaps ensuring that their low expectations become a self-fulfilling prophecy. There is also evidence that women tend to seek loans too small to meet the needs of their businesses.

Less research is available on women who seek equity financing, but some statistics leap out. “More than 10% of men seek external equity financing, whereas less than 2% of women do,” says Robb.

When women are the direct beneficiaries of credit, their repayment rates are higher in all regions of the world.

The World Bank

“Even using a multivariate analysis, which controls for differences in industry and company characteristics, women are still less likely to use outside equity. This could be a factor helping explain their smaller company size.”

**Influential clients and partners can be hard to line up.** Women entrepreneurs are perceived as less likely than their male counterparts to have a robust “book of business.” This refers to the relationships that help professionals showcase their capabilities and meet prospects who will ultimately buy services from them and/or recommend them to other potential buyers. Although women have strong communication skills, they have difficulty forming networks that help bring in business. “Women are good at connecting with people who are like them,” says Alyse Nelson, President and CEO of Vital Voices Global Partnership, a not-for-profit organization that trains women leaders around the world. “They seek out common issues – work, children or whatever – and they’re good at connecting on that level. Where they need help is in thinking about bridging rather than bonding. Bridging occurs when you make a connection with people who are different from you.”

**Women face different personal situations from men.** Women are more affected than men by the conflicting demands of work and family life, and are more likely to respond to family needs first. New research by Babson College professor Candida Brush and others, published in 2009 in the *International Journal of Gender and Entrepreneurship*, finds that motherhood and the “macro/meso environment” (social, political and cultural expectations and norms) affect women in particular, giving them different values and priorities when they start their own businesses. Although self-employment may afford women the flexibility to balance their personal and professional lives in a way that a corporate setting may not, its structure may also explain why women-owned businesses don’t grow as large as those owned by men. A 2007 study of 685 new businesses by the U.S. Small Business Administration





found that women entrepreneurs had a slightly larger household size and were more likely to prefer low risk/return businesses; men spent more time on their new ventures than women did.

**Women exhibit different personal characteristics from men, such as fear of failure and lower self-confidence.**

This in turn may lead them to be less adventurous and stick to traditional business sectors such as retail and hospitality. Babson College's *Global Entrepreneurship Monitor (GEM) 2007 Report on Women and Entrepreneurship* notes that "fear of failure is, in fact, highly correlated to entrepreneurial activity." Entrepreneurs are significantly more likely to feel more confident in their own abilities and optimistic about unexploited market opportunities, relative to nonentrepreneurs. The same report notes, however, that "while patterns for both early stage and established entrepreneurship are qualitatively similar by gender, a higher percentage of females than males would let fear of failure prevent them from starting a business." Research suggests that this disparity is likely to result from contextual factors, such as cultural norms, rather than education, work status or household income.

**Women do not receive targeted advice on scaling up their businesses.** In this time of global economic crisis, governments, businesses and not-for-profit organizations

worldwide have launched or expanded their entrepreneurship initiatives to spur innovation and growth. But existing programs are failing many women entrepreneurs, especially those who want to scale up their businesses. "Most of the programming now offered through the public sector and much of the private sector is dated and focused on individuals who want to start a business," states the report by the Center for Women's Business Research. "While these programs are important and meet a need, there are few solid programs that actually generate information and knowledge and engage entrepreneurs – especially women and minorities – to grow their businesses. The programs that do exist have little, if any, evaluative research behind their claims."

With this in mind, the Center for Women's Business Research is planning to create an Academic Council of Scholars in 2010 to conduct research on women's enterprises. Increasingly, data is emerging to show that a program designed for entrepreneurs in general may not necessarily work for women entrepreneurs. In its 2007 report on new businesses, the U.S. Small Business Administration cautions that "several factors – differing expectations, reasons for starting a business, motivations, opportunities sought and types of businesses – vary between the genders, and these result in differing outcomes." Δ

# Think pink – and tangerine and kiwi

Industrial flooring is a man's world – or at least it was when Dawn Gibbins got into it. A 2006 winner of Ernst & Young's Entrepreneur Of The Year Award® (UK), Gibbins has thrived in a male-dominated industry ever since she and her father cofounded Flowcrete, a maker of industrial flooring, in 1982. Today the company is a global operation with 23 offices and 8 manufacturing sites in Asia, Europe, South Africa and Brazil.

Gibbins recognized the power of women consumers early on. In the mid-1990s, she began to diversify Flowcrete's customer base, refocusing the company's marketing from factory operators to architects and others who designed public spaces, and emphasizing the design element of the flooring business. Vibrant tropical colors such as tangerine and kiwi revved up a product line that was 90% gray. Instead of approaching production directors and process engineers, Gibbins spoke with architects and interior designers. In 2008 she sold Flowcrete to found Barefoot, a company that creates custom flooring for homes and offices. With Barefoot, Gibbins invented what she calls "floor couture": flooring as a lifestyle and a design product. Conveniently, Flowcrete is the company's main supplier.

## She knows what women want

While Flowcrete's customers were almost exclusively male, Barefoot's market is 80% women. "I've got to understand the female brain," Gibbins says, adding that women consumers are the wave of the future. "I believe there's a feminization of society going on in the 21st century. The 20th century was about speed, convenience, efficiency. Now it's more about lifestyle, and I think women are pushing this trend. We're an aging society, and women live longer than men, so increasingly wealth is passing into the hands of women. So all the men in manufacturing need to look at what women want."

# Working toward tax law transparency in Cameroon

Doing business in Cameroon is challenging. The African country ranks among the lowest of 178 nations on the World Bank's ease-of-doing-business scale. Its tax system, in particular, is incredibly cumbersome. But entrepreneur Kah Walla, head of STRATEGIES!, a local management consulting firm, is working to change that.

Walla founded the firm in the early 1990s after she returned to her native Cameroon following graduate study in the US. Today, her 15-employee, US\$500,000 company serves both domestic and international clients, and has a development arm that works with local governments to improve the business environment for women entrepreneurs. Despite new legal rights for women, customary law and traditional practices discriminate against women in business dealings. Women are routinely intimidated by officials, and sexual harassment and extortion are common. Because they are seen as easy targets, women are especially vulnerable to bullying by tax inspectors. Every year procedures vary with new tax laws, meaning that tax inspectors have considerable arbitrary powers. Cameroonian businesses pay a hefty 52% of profits in tax, make an average of 41 payments to tax authorities and spend about 1,400 hours on tax preparation.

"Whenever you have complex, corrupt systems, women are always at a disadvantage," says Walla. She herself has stood her ground and refused to pay bribes. Her firm has already won two judgments against tax inspectors and has another three lawsuits under way. "A lot of these local tax officials are making the money on a personal basis and not bringing it back to the local government," she says. "A transparent tax and administrative system makes economic sense for both women entrepreneurs and the government."

Source: The World Bank, *Doing Business: Women in Africa*, 2007









# Scaling up: success factors

## **Role models matter**

Many studies show that women-owned businesses consistently tend to be smaller than those headed by men, whether size is measured by revenue, profitability or number of employees. While the implications of this finding have yet to be explored fully, some research suggests that women business owners deliberately choose not to scale up their firms and to maintain a slower growth rate, perhaps because they are more concerned than their male counterparts about the risks of swift expansion. For this reason, speculates the author of one study, "government programs designed to increase the size and/or growth rate of female-owned firms may not achieve the expected level of demand; moreover, these programs may be considered unsatisfactory by participants if they do not explicitly address women's expansion concerns," ("Does One Size Fit All? Exploring the Relationship Between Attitudes Towards Growth, Gender, and Business Size," *Journal of Business Venturing*, 1998).

Psychological research demonstrates that intentions are the best predictor of any planned behavior, including entrepreneurship; a role model can affect entrepreneurial intentions ("Competing Models of Entrepreneurial Intentions," *Journal of Business Venturing*, 2000). By following role models who exemplify risk-taking and high achievement, women entrepreneurs may be able to overcome the fear of failure that may deter entrepreneurial activity. One initiative that offers role models for women business owners is the Corporate Ambassadors Program developed by Vital Voices Global Partnership along with the U.S. Department of State. Senior women executives from the US travel as Corporate Ambassadors from the US to countries in the Middle East and North Africa (MENA), providing business training and promoting a regional culture of women's entrepreneurship.

### Decision-making skills are critical

Some women business owners may perceive themselves as less confident and decisive than their male counterparts – factors that could affect their companies' revenue and size. "Seventy percent of all women-owned businesses in the US have \$50,000 or less in gross revenue annually," says Nell Merlino, cofounder and CEO of Count Me in for Women's Economic Independence, which provides resources for women entrepreneurs. "At that level, you're barely supporting yourself and your family." Scaling up women-led businesses broadly could create a substantial number of new jobs. For example, revenue from women-owned businesses currently accounts for about 9% of the US economy, compared to 36% for men-owned firms, according to a paper coauthored by Babson College professor Candida Brush. If women business owners raised their revenue goals to match the revenues of companies owned by men, the economic impact would clearly be significant.

Lack of negotiating and decision-making skills can cost women entrepreneurs dearly, according to Julie McPherson, cofounder and director of Tiixa, a company providing telecommunications firms in Latin America with wireless market innovation strategies. While McPherson has helped build a US\$7 million business, her early days as an entrepreneur were rocky because she was "ceding decision-making and strategy to men," she says. "It was a confidence issue. Most businesses are still male-dominated. Women are not seen as decision-makers. We're not always willing to fight and go after what we want."

Similarly, Michele Boisier, founder and executive director of Araucania Yarns, a Chilean company that specializes in hand-woven and dyed textiles, emphasizes the importance of assertiveness for women business owners. "You have to believe in yourself and break stereotypes," she says. "You need to change the way leadership has traditionally been thought of."

### Specific goals result in positive outcomes

Treating women entrepreneurs as a homogeneous group is unlikely to yield positive results, as women's experiences, cultural backgrounds, education and life circumstances vary widely. In the UK, for example, women from various ethnic minorities demonstrate widely differing needs for business training. Motivation is another variable. Babson College's *Global Entrepreneurship Monitor (GEM) 2008 Report on Women and Entrepreneurship* points out that business needs and outcomes vary depending on whether women are "necessity" or "opportunity" entrepreneurs. In the former case, women are pushed to start a business because of lack of all other options for work (as often happens in the developing world); in the latter, they exploit a perceived business opportunity.

Any type of training for women entrepreneurs should be targeted to their distinctive needs, McPherson says. "What kind of enterprise is it, what kind of woman is running it? At what stage is the business? Coaching should focus on specific goals and specific outcomes."

Boisier concurs. "This means having a vision, having focus and knowing what to ask for when you look for help," she says. "You need to be very concrete and sharp, like a laser, to detect exactly what your needs are." Developing clear objectives and a professional work plan enabled Boisier to become one of the entrepreneurs that Endeavor, an organization that nurtures high-impact entrepreneurs (see page 20), chose to support.

### Employment and networking spur business expansion

A key finding in recent research on women's entrepreneurship is the vital influence of employment. According to Babson College's 2008 *GEM* report, working women in the lowest-income countries are three times more likely than nonworking women to start a business. Even

controlling for educational attainment, the report finds employment to matter most, suggesting that “for the poorer and less educated, paid employment provides a valuable platform toward starting a business.” Employment may help women in two ways: directly, by improving the skills of entrepreneurs, and indirectly, by expanding the women’s social networks. Women business owners are often in critical need of networks (and/or mentors) that can help them gain access to information, financing, business leads, and professional encouragement and support. In fact, employment and the presence of networks that include other entrepreneurs are better predictors of entrepreneurial success than education or household income, according to Babson College’s 2008 *GEM* report.

Social and professional networks can give women that all-important boost to expand their businesses beyond a certain revenue threshold. “A lot of your success is about the people you meet who give you their knowledge and help you see things differently,” says Anne Heraty, founder of CPL Resources, a recruiting and human resource services agency in Ireland. Winner of the Ernst & Young Entrepreneur Of The Year Award in 2006, in 1999 Heraty was the first woman in Ireland to take a company public on the Irish and British stock exchanges. Today, she is one of Ireland’s best-known entrepreneurs, with 300 full-time employees and 3,000 flexible workers.

“When a woman grows her business to a certain size, and she has disproportionate responsibilities outside of work, she may be happy to just maintain the business at that size,” Heraty says. “In that case, she may need some encouragement to take it to the next level.” She adds that mentoring programs are particularly useful in pushing women entrepreneurs to make the leap. “I think that would have helped me hugely. As we expanded and grew, I found that it’s different running a company with five people and running one with 150. To have had a mentor who was with you for a period of time and had relevant experience – that would have helped a lot. Maybe I’d have taken some key decisions earlier and got there quicker.” Δ



# Small business, high impact

The practice of microcredit – extending very small loans to impoverished people in the hope of spurring entrepreneurship – is not without controversy. Its critics say it may spur cuts in government antipoverty programs, interest rates and delinquencies can be high, and women, the main targets of microcredit, often hand over the money to men while bearing the credit risk. Still, microcredit provides a way to escape dire poverty, particularly for women.

In recent years, social entrepreneurs have launched innovative variations of the microcredit model. For example, Kiva, a person-to-person microlending site, allows individual investors to contribute US\$25 or more directly to borrowers, whom they can select online. When the money is repaid, the lender can lend it again or withdraw the funds. Kiva's microloans support women entrepreneurs as varied as a clothing retailer in Mongolia, a fruit and vegetable seller in Peru and a group of pharmaceutical retailers in Uganda. Eighty-three percent of Kiva's loans go to women-owned businesses.

## More than access to finance

Another organization, Endeavor, takes things to the next level. It identifies and supports “high-impact” small and medium-sized entrepreneurs – those who have the potential to compete globally or have a profound local impact. “Where we have identified high-impact women entrepreneurs, there has been a multiplier effect,” says Elmira Bayrasli, Endeavor's Vice President of Policy and

Outreach. “Women are inspired to see a woman business owner: someone from their community who looks like them, who's leading a high-impact company with the potential to be on par with the Dells and the Microsofts of the world.”

One woman entrepreneur who has benefited from Endeavor's guidance is Marisol Alfaro, whose Mexico-based business, L'Atelier du Chocolat, produces and sells gourmet chocolate. The US\$2 million company has 63 employees – 90% of them women. Although it was performing well, “as the company grew, I needed to rethink the focus and strategy of the business,” says Alfaro. She credits Endeavor with helping her scale up the business and showing her “new strategies with capital, investment funds and other opportunities that have changed the life of my company and opened the door to international markets.” Her next step, she says, will be “very big” – she's exploring entry into retail chains Bloomingdale's (US) and El Corte Inglés (Spain).

High-impact entrepreneurship is also the focus of Omidyar Network, a philanthropic investment firm established by eBay founder Pierre Omidyar and his wife Pam. Recently the organization announced a three-year, US\$30 million commitment to support high-impact entrepreneurs in developing regions, particularly India and Sub-Saharan Africa.



# Nurturing future market leaders

Role models, access to influential networks, mentoring, confidence building – these are the themes women repeatedly bring up when they talk about taking their businesses to the next level. And with the right support, they can be notably successful. The Ernst & Young Entrepreneur Of The Year® program, conducted in 50 countries, is a wide-ranging barometer of entrepreneurial activity around the world. “We’re pleased to see a notable increase in the number of women being recognized for their success in establishing and growing powerhouse companies,” says Maria Pinelli, Americas Director for Strategic Growth Markets at Ernst & Young.

Ernst & Young’s Entrepreneurial Winning Women® program, which identifies and supports women entrepreneurs seeking to become market leaders, selects high-potential candidates and provides them with role models, personalized business advice and access to prospective investors, suppliers and customers – all with the goal of helping to grow their businesses. Developed in the US to complement Ernst & Young’s Entrepreneur Of The Year program, Entrepreneurial Winning Women is expanding in 2010 to several other countries, including Brazil, South Africa and Turkey.

For Janet Chien, one of the Entrepreneurial Winning Women in 2008, a key benefit was “being inspired to think big.” Chien’s company, plans and executes clinical trials reducing the time to market for biomedical firms conducting clinical research. “I was pretty ambitious and forward-thinking, but I was not thinking big enough or setting high enough goals for the company or myself personally,” says Chien. The program, she says, put her in touch with “a group of peers who are diverse but who at the same time have the spirit of innovating and building something. We’re kindred spirits. Women entrepreneurs who have built multimillion-dollar businesses are really hard to find.”

Chien was also able to use her professional networks to take better advantage of the program. “Tapping into my networks to ask the right questions did not occur to me,” she says. “I was asking

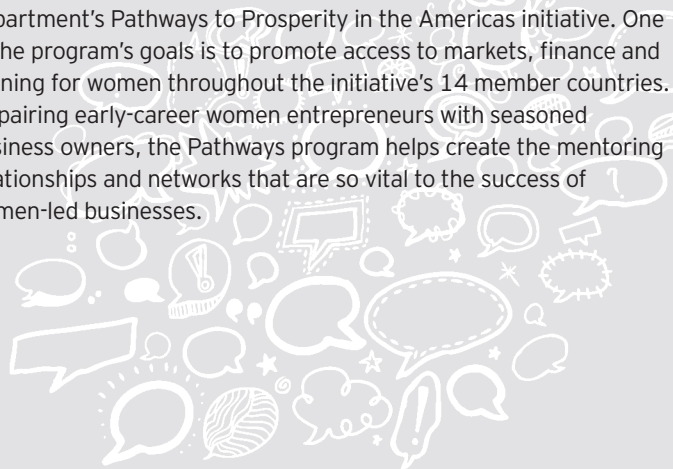
them the tactical questions – where to lease space, what kind of corporation we should form. It was not until I met other leaders at Entrepreneur Of The Year that I asked about strategy and growth plans.”

## Supermodels

But by far the most inspirational aspect of the program was to be able to connect with successful entrepreneurs. “There are not a lot of role models out there for women to follow,” says Chien. “There’s a level of access to the upper echelon of entrepreneurs with the Winning Women program that you don’t get anywhere else.”

One of the Entrepreneurial Winning Women recently sold her business to one of the advisors she met through the program. Kathleen Utecht, cofounder of Green Rock Entertainment, maker of Cahootie (a modern twist on the classic paper-folding fortune game), credits the Winning Women program with giving her mentoring, access to networks – and a big payoff by introducing her to private equity and venture capitalists. A 2008 winner, Utecht met Blythe Jack, an Ernst & Young Entrepreneur Of the Year judge, through the program. In May 2009, Jack and her financial and operating partner, Innovate Partners (an entrepreneurial incubator), acquired Cahootie. “The best way for women to succeed is through role models,” Utecht says.

Providing role models for women business owners is an important component of Ernst & Young’s collaboration with the U.S. State Department’s Pathways to Prosperity in the Americas initiative. One of the program’s goals is to promote access to markets, finance and training for women throughout the initiative’s 14 member countries. By pairing early-career women entrepreneurs with seasoned business owners, the Pathways program helps create the mentoring relationships and networks that are so vital to the success of women-led businesses.



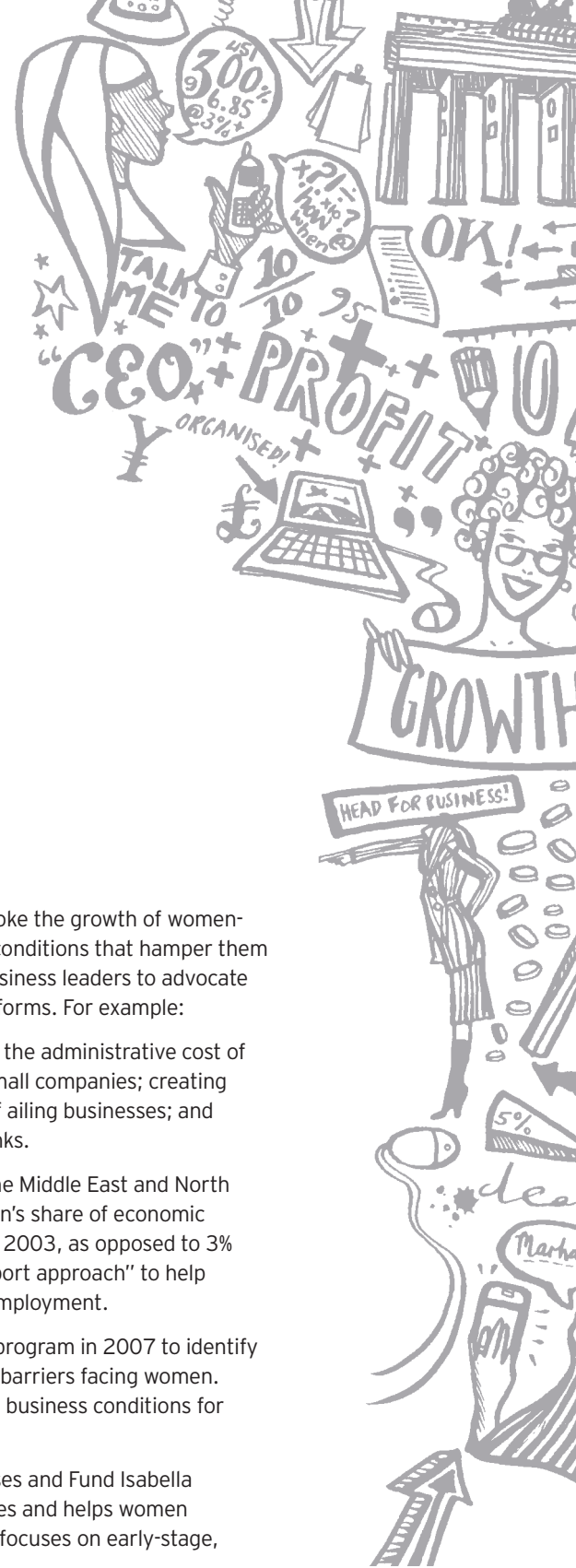




# Tapping potential: targeted initiatives

National policies are difficult to change, but the primary way to stoke the growth of women-led businesses is to change the discriminatory laws and business conditions that hamper them in many parts of the world. It is essential for policy-makers and business leaders to advocate and support the necessary legal, regulatory and administrative reforms. For example:

- ▶ The OECD urges the consideration of policies such as reducing the administrative cost of creating a new company; reducing the barriers to growth of small companies; creating more favorable conditions for the survival and restructuring of ailing businesses; and developing microcredit options such as loan guarantees to banks.
- ▶ In its Declaration on Fostering Women's Entrepreneurship in the Middle East and North Africa (MENA), adopted in 2007, the OECD reports that women's share of economic activity in the MENA region surged by 19% between 1990 and 2003, as opposed to 3% worldwide. The OECD calls for a "targeted and integrated support approach" to help women in the MENA region start new businesses and create employment.
- ▶ The World Bank's Doing Business project launched a research program in 2007 to identify and recommend reforms to eliminate the legal and regulatory barriers facing women. Project researchers have recently released detailed reports on business conditions for women in Africa and in the East Asia/Pacific region.
- ▶ In the US, private organizations such as Springboard Enterprises and Fund Isabella support emerging women-led companies. Springboard educates and helps women entrepreneurs get access to the equity markets; Fund Isabella focuses on early-stage, fast-growth businesses.





- ▶ American Express has created American Express OPEN®, an online community designed to help small-business owners make the connections essential to build their businesses. OPEN recently launched a Women's Business Initiative in the US to put women entrepreneurs in touch with organizations that can help them grow.
- ▶ Along with American Express OPEN, Count Me in for Women's Economic Independence has started a program called Make Mine a Million \$ Business. The program challenges women business owners to hit revenue targets of US\$250,000, US\$500,000 or US\$1 million.
- ▶ Ernst & Young, Count Me In, Vital Voices Global Partnership and other organizations collaborate with the U.S. State Department's Pathways to Prosperity initiative to promote access to markets, finance and training for women throughout the Western Hemisphere.
- ▶ High-potential women entrepreneurs are the focus of Ernst & Young's Entrepreneurial Winning Women program, which aims to help successful women business owners realize the full potential of their companies through a customized program designed to build and foster critical relationships, enhance leadership skills and expand business know-how.
- ▶ At the annual meeting of the Clinton Global Initiative in September 2009, Exxon Mobil announced a plan to deploy innovative technologies to advance economic opportunities for women in developing countries, in partnership with the social entrepreneurship association Ashoka and the International Center for Research on Women.

Forget China, India and the internet: economic growth is driven by women.

*The Economist*, 15 April 2006

- ▶ As part of its 10,000 Women initiative, Goldman Sachs is committed to working with partners, including the Inter-American Development Bank, to provide women entrepreneurs from around the world with business education. Their efforts will offer more than 10,000 high-potential small-business owners the training, access to capital, networking and mentoring necessary to expand their businesses.

## Accessing the global supply chain

Given their vast potential, women-owned businesses are a natural fit as suppliers to large corporations and governments. This fact isn't lost on the recently launched WEConnect International organization or its multinational corporate members.

At present, global spending on diverse suppliers – which is likely to yield as-yet untapped sources of innovation and excellence – is largely undocumented, according to Elizabeth Vazquez, WEConnect's founder and CEO. What is clear, she says, is that only a fraction of governments and large corporations actively source from women-owned businesses. WEConnect International is currently developing an online portal to connect women-owned enterprises with procurement professionals around the world. Anecdotal evidence suggests that apart from some members of the Billion Dollar Roundtable (companies that are recognized for spending more than US\$1 billion on purchasing from minority- and women-owned businesses), large corporations spend less than 2.2% of their procurement budget on women-owned businesses.

"WEConnect International works directly with a core network of private and public organizations that spend over US\$700 billion on products and services," says Vazquez. "These organizations want to purchase more from competitive women's business enterprises, and a shift in only 1% of their spending would equal US\$7 billion not currently spent with women." Vazquez points out that two

global companies, AT&T and Walmart, have derived quantifiable benefits from embracing supplier diversity. Each spends more than US\$2 billion with women-owned businesses each year; AT&T can trace positive revenue flow and several hundred contract wins to its supplier diversity program, and Walmart's strategy of offering local goods and services in its stores in 15 countries has created major opportunities for local and regional suppliers.

For every increase of one percentage point in the share of household generated by women, aggregate domestic savings increase by roughly 15 basis points. And an increase of one percentage point in women's share of household wages boosts aggregate savings by 25 basis points.

Goldman Sachs Global Markets Institute

## Winning government contracts

Helping women win business from the US government is the focus of the American Express program Give Me 5: Education and Access for Women in Federal Contracts. The program gets its name from The Equity in Contracting for Women Act (2000), which stipulates that federal contracting officers must award 5% of all contracts to women-owned businesses (currently they receive 3.4%). According to a statement issued by the U.S. House of Representatives Small Business Committee in 2007, women business owners could gain more than US\$5 billion in annual revenue by reaching the 5% contracting goal.

"Many women-owned businesses either don't know about federal contracts or believe the paperwork will be too burdensome, and that it's not worth it to do business with the government," says Michelle Thompson-Dolberry, American Express OPEN's director of advocacy marketing. "We're telling them it's definitely worth it, and helping them figure out how to get into the game." Δ







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# Why the world wins with women entrepreneurs

The world wasn't excited when a soft-spoken economist founded a finance institution, Grameen Bank, in his native Bangladesh back in 1976. Decades later, Muhammad Yunus won a Nobel Peace Prize for ushering in the microcredit revolution and improving living conditions for millions of the world's poor. Over the past 33 years, Grameen Bank has made more than US\$2 billion in loans to microentrepreneurs, the vast majority of whom are women. Bangladesh, once dismissed as a "basket case" by policy-makers, has made notable strides toward reducing poverty. Journalists Nicholas Kristof and Sheryl WuDunn believe that one reason for this is the country's significant investment in the education of women and girls. "The upshot is that Bangladesh today has a significant civil society and a huge garment industry full of women workers who power a dynamic export sector," they write in their book *Half the Sky: Turning Oppression into Opportunity for Women Worldwide*.

It takes concrete actions to produce concrete results. Microfinance is an important first step, but the growth needed to revive our economy requires more than microenterprises. To propel women-owned businesses beyond that stage will take dedicated effort. When we speak with women entrepreneurs around the world, they consistently mention the importance of both vision and strategy to their businesses – of having a clear destination and specific

pathways to get there. Existing programs and initiatives, although well-intentioned, have not addressed this need in a systematic way. The economic impact report from the Center for Women's Business Research underscores the gap, noting that its data "highlights the lack of knowledge currently available on how to grow a business from point A to point B, becoming an employer firm, and moving from being the technical expert to the business leader." At the same time, the growth of full- or part-time entrepreneurship is highest among women, perhaps reflecting the lack of opportunity and flexibility for them in large corporations. It is up to us, then, to connect the dots: to take this large group of motivated business owners and invest in targeted efforts to support them, unleashing a great force for economic recovery around the globe.

As it is used in sociology, the term "tipping point" – popularized by author Malcolm Gladwell in his bestselling book of that name – describes the transformation that results when a movement for change reaches the point where it becomes an inexorable force. Gladwell calls it "the moment of critical mass, the threshold, the boiling point." Women are at the threshold. As we emerge from a historic economic downturn, a vital push is needed to make women's enterprises an unstoppable force for positive transformation. Δ



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## Women's potential is largely untapped

Number of employed persons (% of working-age population), 2007

Region	Male employment	Female employment
East Asia and Pacific	78.1	62.5
Sub-Saharan Africa	77.2	54.0
Developed regions	65.0	49.9
Latin America and Caribbean	73.8	47.1
Central Eastern Europe/Commonwealth of Independent States	61.7	44.9
South Asia	77.6	34.0
Middle East and North Africa	70.4	22.3

Sources: International Labour Organization, United Nations Development Fund for Women (UNIFEM)

## Top 30 countries for ease of doing business

Country	2010 rank	2009 rank
Singapore	1	1
New Zealand	2	2
Hong Kong, China	3	3
United States	4	4
United Kingdom	5	6
Denmark	6	5
Ireland	7	7
Canada	8	8
Australia	9	9
Norway	10	10
Georgia	11	16
Thailand	12	12
Saudi Arabia	13	15
Iceland	14	11
Japan	15	13
Finland	16	14
Mauritius	17	24
Sweden	18	17
Korea, Rep.	19	23
Bahrain	20	18
Switzerland	21	19
Belgium	22	20
Malaysia	23	21
Estonia	24	22
Germany	25	27
Lithuania	26	25
Latvia	27	30
Austria	28	26
Israel	29	29
Netherlands	30	28

Source: The World Bank Group, Doing Business 2010

Note: Economies are ranked on the extent to which they have implemented reforms in ten areas that make it easier to do business: starting a business, dealing with construction permits, employing workers, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts and closing a business.

## Entrepreneurship by country and by cluster

	Early-stage business	Early-stage business	Established business	Established business
	Male	Female	Male	Female
<b>High-income countries</b>				
Belgium	4.2%	1.4%	3.2%	1.0%
Denmark	6.6%	2.9%	4.8%	2.9%
Finland	10.2%	4.5%	13.0%	4.8%
France	6.5%	2.8%	3.1%	1.5%
Germany	5.4%	4.3%	8.3%	4.4%
Greece	11.8%	7.2%	18.0%	8.4%
Iceland	12.7%	7.4%	10.5%	5.1%
Ireland	10.4%	4.1%	15.6%	6.7%
Israel	7.6%	3.6%	6.7%	2.3%
Italy	5.1%	2.5%	9.3%	3.9%
Japan	7.9%	2.9%	13.6%	4.2%
Korea Republic	14.7%	5.0%	18.9%	6.2%
Netherlands	6.3%	3.1%	8.4%	4.3%
Norway	9.4%	4.1%	11.0%	4.4%
Slovenia	8.0%	3.6%	7.6%	3.5%
Spain	7.7%	5.6%	10.8%	8.2%
United Kingdom	5.9%	2.9%	8.5%	3.4%
United States	9.3%	6.2%	11.2%	7.1%
<b>All high-income countries</b>	<b>8.4%</b>	<b>5.0%</b>	<b>9.9%</b>	<b>5.5%</b>
<b>Low- and middle-income countries: Europe, Asia, Middle-East, Africa</b>				
Angola	22.7%	25.4%	5.9%	4.7%
Bosnia and Herzegovina	9.2%	5.4%	9.7%	5.3%
Croatia	9.9%	4.2%	6.1%	3.2%
Egypt	20.1%	5.8%	14.0%	1.5%
Hungary	8.4%	5.5%	7.2%	3.1%
India	17.2%	9.0%	25.8%	9.4%
Iran	13.5%	4.5%	11.7%	2.3%
Latvia	9.7%	3.5%	4.4%	1.6%
Macedonia	17.4%	7.7%	13.1%	7.6%
Romania	4.4%	1.7%	2.6%	1.2%
Russia	4.5%	2.1%	1.0%	0.9%
Serbia	7.7%	4.0%	11.7%	5.5%
South Africa	7.7%	5.5%	2.8%	1.7%
Turkey	8.9%	2.5%	7.8%	1.3%
<b>All low- and middle-income countries</b>	<b>12.1%</b>	<b>4.9%</b>	<b>9.7%</b>	<b>3.2%</b>
<b>Low- and middle-income countries: Latin America, Caribbean</b>				
Argentina	16.5%	12.5%	17.9%	9.2%
Bolivia	31.5%	27.9%	21.6%	19.9%
Brazil	12.8%	10.9%	17.2%	10.9%
Chile	15.3%	10.2%	8.9%	4.3%
Colombia	29.2%	19.2%	18.9%	10.3%
Dominican Republic	23.2%	15.8%	11.2%	6.7%
Ecuador	18.4%	16.0%	17.7%	8.3%
Jamaica	16.0%	14.4%	14.1%	8.7%
Mexico	14.9%	12.2%	6.1%	4.6%
Peru	27.9%	24.7%	11.1%	6.2%
Uruguay	13.1%	7.0%	8.7%	5.3%
<b>All low- and middle-income countries</b>	<b>19.4%</b>	<b>15.2%</b>	<b>12.0%</b>	<b>7.3%</b>

Source: Global Entrepreneurship Monitor (GEM) 2008 Report on Women and Entrepreneurship, Babson College

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Ernst & Young has a long-standing commitment to inclusiveness both inside Ernst & Young and around the world. As we rebound from a global economic crisis, Ernst & Young believes diversity and inclusiveness are critical to innovation and economic growth. We celebrate the innovation of top entrepreneurs through the Entrepreneur Of The Year® Awards, hosted by our Strategic Growth Markets practice in 135 cities and 50 countries around the world. Through the new Entrepreneurial Winning Women program, we are rolling out country-based programs focused on helping women take their businesses to the next level.

We have joined forces with public- and private-sector leaders on a number of initiatives aimed at supporting diversity and inclusiveness, gender equity and the advancement of women entrepreneurs. As part of the Global Private Sector Leaders Forum (PSLF), Ernst & Young and other major corporations have committed to promoting economic empowerment for women both inside and outside their ranks. In 2009, we collaborated with the U.S. State Department on the Pathways to Prosperity Women Entrepreneurs program, to help spread the benefits of economic engagement and trade to women and small businesses in 14 countries in the Americas.

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