

Russia

**What are
the aspirations of
women entrepreneurs
in Russia?**



Building a better
working world



Introduction



Gender parity and diversity continue to top the business and personnel management agenda, calling for deeper thought and new approaches.

EY conducted an analysis of data in April 2017 from the Russian Small Business Index (RSBI): Navigator for Analysis of Micro, Small and Medium-sized Enterprises, a quarterly survey conducted by Promsvyazbank and Opora Rossii among 2,000 Russian entrepreneurs to map their business perception by enterprise size, industry and region. Our research also encompassed the findings of the Women's Business Index (WBI) survey conducted at the initiative of Opora Rossii's Committee for Women Entrepreneurship Development with the assistance of the Agency for Strategic Initiatives and other partners.

EY's analysts summarized the data and compared them with the findings of both Hays' Russian and global gender diversity survey and EY's report Women on US boards: what we are seeing.

Our analysis focuses on current business practices among small, medium and large-sized enterprises and is aimed at identifying the latest trends in women entrepreneurship. We hope that our findings will be interesting and useful to everyone.

Business sentiment among SMEs

59%

of respondents believe that the business environment has not changed

80%

of respondents do not plan to scale investments either up or down

Before discussing the life philosophy of Russian women entrepreneurs, it is important to look at overall sentiment among small and medium-sized enterprises (SMEs). The Russian Small Business Index (RSBI), which gauges the activity of SMEs based on a quarterly survey of 2,000 Russian enterprises, rose to 44.9 percentage points in Q3 2016, its highest level since the end of 2014, indicating improved business sentiment.¹ However, the index declined in Q4 2016 as more respondents expressed pessimism over the current situation, describing it as stagnation. Aggressive strategies or an increase in investments were missing from the agenda of many amid falling retail sales, squeezed profit margins and slow investment activity.

These figures indicate attempts by SMEs to adapt to new realities and achieve cost efficiency without making bold moves. Sound frugality principles and organic growth have become a priority for many, with 75% of respondents saying that they do not need additional funding. Dismayed by low confidence about the economic environment or revenue growth prospects, businesses try to do without external credit.²

¹ <https://www.psbank.ru/Bank/Press/News/2016/10/24-02>

² Opora's RSBI: Navigator for Analysis of Micro, Small and Medium-sized Business, Q4 2016 http://rsbindex.com/files/rsbi-results/pdf/psb_17_02_pres_4q16_170207a.pdf



Business sentiment among women entrepreneurs



38%

of women entrepreneurs describe their current business strategy as sound frugality principles based on cost efficiency

35%

of men entrepreneurs link their business strategies to business stability

If filtered based on gender, the RSBI survey results show that women are more restrained in their predictions. Only in Q3 2016, female respondents expressed more optimism than men about access to funding and the overall economic environment. At the same time, executives of both genders unanimously expressed unwillingness to invest any funds, be it equity or debt, in business growth, pointing to the economic uncertainty, lower consumer demand and a lack of affordable funding. Compared with men, women entrepreneurs are more concerned about the recovery of investments.

According to the survey, 38% of women entrepreneurs are primarily oriented toward frugal and cost efficient models, while 35% of men entrepreneurs are focused on ensuring the stability of their business. For women entrepreneurs, cost efficiency above all means the transformation of the product or service mix, rather than lower spending on materials or components, let alone job cuts.

Women entrepreneurs also rely less on imports, preferring to use domestic substitutes to manufacture goods or provide services. This can largely be attributed to the nature of traditional female business ventures, which have mostly been in sectors such as children's goods, and to the small size of their firms, which often target the local markets.

The RSBI survey suggests that 92% of women entrepreneurs and 93% of men entrepreneurs have never received government funding, while one-third of all respondents of both genders are unaware of government support mechanisms available to the SME sector. Further, only 7% of women entrepreneurs have received subsidies and grants under startup support programs in the last five years. The share of women entrepreneurs participating in bidding for government procurement contracts is also marginal. As the family usually comes first for women, they tend to rely on the support of friends or relatives when starting a company.

28%

of men entrepreneurs rely only on local resources in running their business

35%

of women entrepreneurs say that they use only local resources

69%

of women entrepreneurs holding a business degree say that it is helpful

Women executives in Russia normally hold a university degree, but this does not necessarily mean that they have adequate knowledge and skills in finance or business management. The findings of the RSBI survey provide evidence: 58% of female respondents have not studied additional degrees in management. At the same time, those who have undergone business education say that their newly acquired knowledge is helpful in both finding a solution to business problems and running day-to-day operations. Both men and women cite a lack of time as the main barrier to receiving special

training. Women also say that tuition fees are too high for them. This can be attributed to the fact that women typically run microenterprises, which require little investment and involve a strong focus on cost efficiency. The survey findings suggest, however, that access to education for women can be improved with a reduction in costs and program adaptation to typically female industries. When investing their own money in education while being at the lower end of the income scale, women need confidence that their investment will pay off by empowering them to drive business growth.



Trends and outlook



Favorable trends can also be observed. According to the WBI survey conducted in Q1 2017³, 42% of women entrepreneurs note improved public sentiment towards them. Media, popular lifestyle trends and the celebration of women's business success have helped create a positive narrative around women entrepreneurship. More than a third of respondents to the WBI survey predicted public perception to improve further. There is also a positive trend in the development of infrastructure to support young mothers who run their own business, and it is expected to continue. It is essential to keep a focus on building a favorable environment and improving access to pre-school child care.

A majority of respondents (69%) did not, however, expect improvements in the economic environment for startups in the short run. Among negative factors, women entrepreneurs cited a high tax burden, economic uncertainty, a decline in consumers' purchasing power and administrative barriers. Scarce access to funding was also ranked as a considerable obstacle, as almost half of respondents said that they preferred borrowing funds from relatives and friends and less than a fifth applied for funding under SME support programs. When speaking about barriers to obtaining loans for business growth, women mention the need to provide collateral, high interest rates, complex documentation requirements

and the risk that they will anyway be granted only part of the requested amount. These challenges give rise to pessimistic attitudes, with 35% of respondents expecting access to funding to worsen further.

³ Russia's Women's Business Index, National Agency for Financial Research, http://www.oprf.ru/files/1_2017dok/otchet_zhenskoe_predprinimatelstvo06032017.pdf

Opportunities are here



Social programs, better infrastructure and increased access to funding have great potential to empower women entrepreneurs. According to the WBI survey, 73% of Russian women have a positive attitude to women entrepreneurship. Thirty-eight percent would like to start a business and are potentially prepared to do so, while 14% plan to do so in the near future or have already started a company. Women entrepreneurs have traditionally selected sectors such as services, including retail, and the production of everyday consumer goods, cosmetics and foodstuffs. Today the key reasons that they start a business include the desire to increase their social contribution, in addition to the possibility of improving financial security and self-actualization. Many women now opt for social projects that are perhaps less remunerative but are more socially valuable.

Faced with challenges in accessing finance and non-financial support, women tend to rely on the support of relatives and friends, strong passionate teams, tried and proven business plans, and their personal skills.

A wait-and-see strategy is, however, prevailing on the market. Women entrepreneurs say that they are ready to expand and grow their business as soon as negative trends begin to reverse. Those aged 18 to 24 are the most optimistic and enthusiastic. Unlike male executives, their female colleagues are less inclined to cut jobs when pursuing cost efficiency initiatives. Women value financial stability, tax compliance and confidence in the future over the level of income or expansion ambitions.

Female executives of big companies



Women are successful in not only addressing local challenges and running microenterprises but also in climbing the ladder in big corporations, be it in heavy industry or the IT sector. In the modern world, there are increasingly more female professionals in accountancy and finance, which has increased gender diversity on boards in major Russian companies. A comparative analysis shows that the share of women in top management positions in Russia is comparable to that in the US. According to EY's 2014 report, *Women on US boards: what we are seeing*, just about 15% of S&P 1500 medium and large-sized companies have increased the number of female-held directorships since 2013. Only 16% of S&P 1500 board seats were held by women in 2014, with the number previously rising by only 1% a year. Boards of larger companies are significantly more gender diverse; moreover, 60% have increased directorships held by women by extending their board size by one seat.

Almost half of Russia's major companies (44%) have women on both boards of directors and management boards. Combined statistics, including RTS 50 companies, indicate that women hold top management positions in 88% of major fast-growth companies in Russia.

According to the findings of EY US, female directors are younger and less experienced than their male counterparts. However, women who have made it to the highest rungs of the corporate ladder usually hold a board seat in more than one company. While it is rare for women on either continent to be appointed to the most senior positions, there are many women in middle management. In Hays' gender diversity survey held in Russia in the winter of 2017 among 1,614 respondents⁴, 32% of female respondents were business unit leaders, 30% were managers and only 4% either had their own business or served as CEO. There are certain barriers that impede the advancement of women in Russia. Stereotypes and informal arrangements are the top reason that women are not leading in sufficient numbers, cited by 59% of respondents. Fifty-seven percent believe that women are forced to interrupt their careers, while 52% point to challenges in striking a balance between work and family.

84%

of Russia's top 100 companies according to the Expert 400 ranking have at least one woman on their boards

81%

of US S&P 1500 companies have at least one woman on their boards

⁴ Hays, March 2017 - https://www.hays.ru/cs/groups/hays_common/@ru/@content/documents/digitalasset/hays_1890146.pdf

Conclusions



Despite the economic uncertainty, poor access to funding, psychological and administrative barriers, there has been a steady growth in women entrepreneurial activities and the number of women in management positions. According to Hays, 53% of women aspire to reach a top leadership level either in the corporate world or in their profession. Forty-seven percent are confident that they can realize their professional ambitions in their current position.

There has been an improvement in public sentiment about women entrepreneurship. More than a third of female respondents to the WBI survey (37%) expect further improvements. In addition, women entrepreneurs are becoming increasingly younger as the share of those aged under 35 has risen. Current women entrepreneurship support programs in Russia have helped 53% of female respondents to the WBI survey start a company after having a baby. Today many young mothers are trying to combine running their own business and family life. According to Hays, 69% of women entrepreneurs place most value

on a healthy work-life balance. Thirty-eight percent of respondents to Hays' survey describe flexible working time arrangements as a key enabler of gender equality.

With limited funding available, government support, local policy programs and networking play an important role in women empowerment, along with psychological support. The media can also make a greater contribution by promoting diversity and women's success stories to stimulate collaboration and experience exchange.

As many women opt for a social-purpose business, regardless of lower margins, they need basic knowledge and skills in enterprise and capital management. Women who have decided to start a business are more willing to study and provide training to their staff compared with other groups. However, 50% say that high education costs are a serious constraining factor. To improve access to business education, free online courses or reduced cost training programs in typically "female fields" are needed.

It is also important to identify the needs of different categories of women entrepreneurs as part of an integrated approach to fostering women entrepreneurship. In particular, there should be necessary infrastructure and improved access to pre-school child care for young mothers who above all need to free up time for their business. Understanding the needs of different groups among women entrepreneurs will help identify more efficient and targeted measures that will bolster the positive trends. According to the Hays survey respondents, an executive must have excellent leadership for high-performance team building, have a strategic mindset and be able to make independent decisions. This is true about successful woman entrepreneurs as well.



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