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SELF-EMPLOYED WOMEN: FOUR YEARS ON

Leonie V. Still and Bill Chia
February, 1995
Women and Leadership Series

Paper No. 1

SELF-EMPLOYED WOMEN: FOUR YEARS ON

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INTRODUCTION

Entrepreneurial or self-employed women are a growing component of the workforce worldwide. Australian statistics reveal that women are establishing their own businesses (in particular in self-employment) at a approximately twice the rate of men. In 1991-92 more than one million (41 per cent) of the 2.6 million people working in small business were women. Less than one third of these were self-employed or employers, while women accounted for 46 per cent of small business employees (Employment and Skills Formation Council, 1994).

Available evidence also suggests that the survival rate of small businesses operated by women is higher than that for men because of better preparation prior to start-up, keeping debt and overheads low and greater recourse to financial and management information. Female proprietors are also more likely to employ women. If these two trends continue, the Employment and Skills Formation Council (1994, p3) estimates that 'females will eventually outnumber males in small business, both as proprietors and employees'.

Interest in this new social and economic change commenced in Australia around 1986-7. Although small business per se had interested researchers and government agencies for a long time, the incursions of women into the field became more noticeable around this time period. As a result a number of research studies have attempted to 'profile' the characteristics and motivations of self-employed women. The main reports include Boddington (1987), Victorian Women's Consultative Council (1988), Western Australia Department of Employment and Training (1988) Bott

Self-Employed Women in Australia

Small business ownership for women in Australia takes a number of forms. Basically, their businesses fall into five categories:

- **self-employed:** solo-operator with no employees
- **very small business or micro-business:** up to five employees
- **small enterprise:** up to 20 employees
- **small business owner:** woman works in her business for the principal purpose of furthering personal goals (woman is called a 'satisficer' [Still, Guerin and Chia, 1990] and one who engages in 'reactive strategic behaviour' - see Appendix 1 for OECD definition)
- **entrepreneur:** woman works in her business for the principal purpose of profit and growth (women is called an 'expansionist' [Still, Guerin and Chia, 1990] and engages in 'proactive strategic behaviour' - see Appendix 1 for OECD definition).

The majority of women in small business in Australia are either self-employed or owners of 'micro-businesses'. Most also fit the definition of a 'satisficer' (one who engages in 'reactive' strategic behaviour) rather than an 'expansionist' (Still, Guerin and Chia, 1990). Australia has not yet produced a major woman 'entrepreneur', possibly because of lack of experience, the service-orientation of the business, and the up-to-now fairly unsupportive climate in relation to finance and capital funding (Borzi, 1994)

The research studies into self-employed women have primarily concentrated on the background and motivation of the women who
created the businesses, the type of business owned, the size of the business, how the business was started and financed, sources of assistance, and self-perceptions of business skills. Three Australian State/Regional-oriented studies used the same questionnaire (Western Australian Department of Employment and Training, 1988; Still and Guerin, 1990; MacDiarmid and Thompson, 1991) As a result a profile of small business women has emerged. Table 1 depicts the personal and business characteristics of 1242 Australian women small business owners, the samples being drawn from Western Australia, New South Wales and Victoria (Still, 1993).

Table 1: Profile of the Australian Woman Small Business Owner

<table>
<thead>
<tr>
<th>Personal Characteristics</th>
<th>Business Characteristics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aged between 30 and 50</td>
<td>Self-employed</td>
</tr>
<tr>
<td>Only child or eldest child</td>
<td>Business is full-time</td>
</tr>
<tr>
<td>Had a rural background</td>
<td>Business in rented premises</td>
</tr>
<tr>
<td>Australian-born</td>
<td>Predominantly service-oriented</td>
</tr>
<tr>
<td>Married</td>
<td>Owner works in business</td>
</tr>
<tr>
<td>With children</td>
<td>Started with less than $10,000</td>
</tr>
<tr>
<td>Had single-sex education</td>
<td>Business operating over 12 months</td>
</tr>
<tr>
<td>Tertiary educated</td>
<td>Difficulty in obtaining start-up finance</td>
</tr>
<tr>
<td>Secretarial training</td>
<td></td>
</tr>
<tr>
<td>Working mother</td>
<td></td>
</tr>
<tr>
<td>Father in business</td>
<td></td>
</tr>
</tbody>
</table>

This profile is based on the responses of 383 Western Australian women, 357 New South Wales women and 502 Victorian women to the "Hub" questionnaire.
More recent research conducted by Yellow Pages Australia (1994) supports the profile as outlined above, where comparable, in their study of 1000 small business proprietors (both male and female).

Gaps in Small Business Women's Research

Despite the information provided by the above research, some important gaps can be discerned. Still (1994) has identified the following:

- Most Australian studies into small business women have biased samples, with the results generally depicting middle-class, Anglo-Saxon, professional women. There is little information on ethnic women, rural women, and 'contributing' wives (both in family businesses and/or professions/trades) as important sub-samples of small business women. Although some research has been conducted into ethnic women (Lever-Tracey et al, 1991), the information is rather sparse and difficult to obtain.

- Most research into small business women has also tended to concentrate on the new entrant with only a cursory look at the longer-term survivors. Apart from the work of Williams (1994), there is little longitudinal examination of small business women and their businesses.

- Another obvious research area is how to turn 'satisficers' into 'expansionists'. The Federal Government views small business as an important employment growth area. As the majority of small business women are 'satisficers', it is unlikely that employment
growth will come from this source. The research question is how to turn a 'satisficer' into an 'expansionist' and still enable the woman to keep control of the business. One of the reasons women keep their businesses small is that they wish to retain 'control' and be in charge of their own destiny (Still and Guerin, 1990). Expansion would mean partners and a possible loss of control.

- Information is needed on the training needs of small business women and how this training should be provided and/or delivered. The main three Australian studies (Western Australian Department of Employment and Training, 1988; Still and Guerin, 1990; MacDiarmid and Thomson, 1991) established that small business women express little confidence in themselves about their financial, marketing and sales skills at start-up time. Still and Guerin (1990) also found that the women favoured 'coaches' or 'advisers' who would visit the business and assist them with their day-to-day operational and longer-term strategic needs. Callus (1994) reports that the ABS information on training and education of employees in Australia gives few details of skills recognition and access to structured training for both self-employed women and women employees of small businesses.

- Small business women also need training or advice on how to operate in business generally. Bolden (1993) puts forward the proposition that there is need for new small organisation theory and research into small business, rather than bending large organisational theory into a smaller shape. While this applies equally to men as to women, few self-employed women (unless
they have a family business background) have had exposure to the macro world of business before they became a small business owner because most had worked in specialist roles in large organisations.

- Comparative studies also need to be undertaken of the experiences of men and women in small business. While this is a topic of considerable overseas research (Birley, 1987; Cromie, 1987; Welsch and Young, 1982; Fagenson, 1993), there is little Australian evidence to date (Williams, 1994). Research needs to establish if there are any important differences between men and women and the policy implications of any such differentiations.

- Finally, Stagg and Stern (1989) point out the need to move beyond the usual start-up and establishment interest and engage in research into second generation solutions such as building joint marketing and product development services; building networks amongst similar and dissimilar businesses in local communities; and encouraging firms to engage in activities such as intertrading, contract sharing etc. Such research would provide details of long-term strategic decisions and impacts. It might also enable both men and women small business owners to move into the various growth stages without fear of loss of control of the business.

The 1994 Study

Partly as a response to these research gaps, the present research reports on a follow-up study of 440 self-employed women within the Sydney metropolitan region who initially answered a questionnaire in 1989 (Still
and Guerin, 1990). In that study information was gathered on the reasons why the women entered self-employment, their methods of financing their businesses, the types of businesses they entered, their sources of information and advice, and whether they made use of business, professional and women's networks.

Because of the paucity of longitudinal data, the 1994 study followed-up this cohort to determine whether the women had expanded or contracted their business, whether they felt their skills had improved, any mentoring and networking (both personal, business and/or professional) needs or developments; and other operating aspects.

A total of 172 women answered the second questionnaire giving a response rate of 39 per cent. Although the initial study had produced a response rate of 51 per cent, this second result was considered to be satisfactory for the following reasons: the four-year time lag, the difficulty experienced in locating many of the women (many 'address unknown' returns despite follow-ups in telephone directories), the known death or advised termination of business of some of the original participants, and the self-selected nature of the initial sample (women requested a questionnaire in response to advertisements, notices in professional newsletters, media attention). The first study had also sent out a reminder questionnaire one month after the initial mail-out, while the second study did not. There was also no high-profile publicity attached to the second study: the questionnaires arrived on a 'cold-call' basis, with the returns reflecting the degree of continued interest in the research. It was impossible to discover how many of the non-returns were
due to lack of interest, termination of the original business, the women going out of small business all together, or other such reasons.

Like the original study, however, the sample is highly skewed towards middle-class, professional, Anglo-Saxon women. If this bias is taken into account, it is felt that the results give some indication of the continuing operations and personal operating styles of a sub-sample of Australian self-employed women.

Results

Extent and Nature of Business Operations

Some 89 per cent of the women owned one business at the time of the first survey, while nine per cent owned two. These ratios were almost identical four years later, suggesting that not many women had undertaken an external expansionary path, by way of either opening or taking over other businesses, over the period.

Ninety-two per cent of the women still owned their original 1989 business in 1994. A similar percentage had been in business for more than four years, lending support to the gathering evidence that women's survival rates in small business are high. Interestingly, 56 per cent of the 172 women had been in their original business for over seven years, with 39 per cent operating their original business for more than ten years.

Despite the above comments about external expansion, 44 per cent of the women had expanded their original business since 1989. Some 20 per cent
had contracted it. The results tend to reflect the economic recession of the period, and reflect that this sample of 'survivors' had managed to survive it.

The overwhelming majority of the women still worked in their business. Only 36 per cent of the 1994 cohort were sole-traders (compared to 44 per cent in 1989). A further 29 per cent had between 1-2 full-time employees, while 90 per cent of the cohort had either none or up to five employees. This supports other research that women operate micro-businesses.

Some 60 per cent of the businesses also employed part-time employees, the great majority with between one and six employees - again confirming the micro nature of the women's businesses. There was little change in the employment composition of the businesses from the 1989 study.

An interesting diversion from the 1989 study was the discovery that only 44 per cent were the sole owners of their business in 1994 compared to 52 per cent in 1989. Although not a great deal can be made of this disparity (due to the different sample sizes), it suggests that some women may now be more prepared to take in partners, or had to take in partners due to the recession.

Ten per cent of the 1994 businesses were owned by two or more female partners. The remainder were in mixed gender partnerships (26%) or incorporated businesses (18%). This is similar to 1989 results.

Similarly to the 1989 study, over 95 per cent of the women operated the business for profit, while almost 60 per cent conducted their business
outside the home (12 per cent actually owning their business premises). A
total of 88 per cent operated the business full-time. However, fewer
women owned two or more businesses in 1994 compared to 1989. In 1989
one-fifth (20 per cent) of the sample owned more than one business. In
1994 this number had declined to ten per cent.

While the businesses covered the broad spectrum, the major categories
were still professional services (for example, accountants, lawyers, dentists
etc) and consulting (broad range). As Still and Guerin (1990) point out,
these are areas where women are generally able to establish themselves
and to operate a small business because of ease of entry or previous
business/professional training and experience. Although some 36 per
cent of the cohort has expanded their business into other areas between
1989 -1994, the areas tended to be natural extensions of the business rather
than discreet or dramatic changes in focus.

Some changes occurred between 1989 -1994 in the sources of assistance
used by the women. In 1989, the women identified accountants and
lawyers as being the most helpful professional sources at start-up time,
while immediate family and friends and colleagues were the most helpful
personal/family/community sources. These choices changed slightly in
the operational phase. For professional sources, the women still identified
accountants and lawyers, but added tax specialists and bank loan officers as
being important. Similarly, business and women’s associations were
added to the list in the operational phase for personal/family/community
sources.
In 1994 the degree of importance, and the priority, of professional sources of assistance had changed slightly. The women now felt the order should be: accountants, lawyers, bank loan officers and tax specialists, with lawyers and bank loan officers becoming more important to them than previously.

However, a significant change was recorded in respect to the importance of personal/family/community sources of assistance. The women now rated immediate family and friends and colleagues very highly (over 76 per cent in each case), while business and women's associations increased markedly in importance (49 and 29 per cent respectively compared to 31 and 22 per cent in 1989). The results indicate the influence of the length of time the women have now been in business and their recognition that outside sources of assistance, contact and advice are important to, or necessary in, the every-day operation of their businesses. In a sense these results are an indication of the 'maturing' of the woman and her business.

The two studies also revealed that the women were quite confident of their business skills. There was little change in their choice of least successful skills - finance and marketing, suggesting once again that women need training in, or exposure to, these areas.

Overall, the comparison of the results of the two studies reveals few changes apart from the degree of importance of some sources of assistance and advice, while some of the women had contracted their business(s) over the period. It could be concluded that the women were operating in a 'steady state', despite day-to-day operational problems common to small business people.
Networking and Mentoring Needs/Developments

Given that the women were still in business, the second questionnaire decided to explore some new directions to gain further information about the functioning of self-employed women. One of these areas concerned networking and mentoring. Both strategies are currently being promoted in both the literature and real life (for instance, the Federal Government and New South Wales Government have embarked on mentoring programs for women) as important avenues to assist women to succeed.

As self-employed women are now recognised as an important economic resource by government, and Still and Guerin (1990) found that one of the greatest hurdles facing women owners was the feeling of isolation, it seemed appropriate to explore their networking and mentoring needs or experiences.

A third of the women now have a mentor who provides them with advice in their business. The advice varies according to need but the most important covers financial advice, advice on management principles, trends and ideas, 'macro' business advice, and personal counselling on a wide range of issues.

Half the women (50 per cent) would like a mentor. The majority would like to meet with this person either monthly, bi-monthly or as required. Only a few feel a weekly meeting would be essential.

Fifty per cent of the women also indicated that they would be prepared to pay for the services of a mentor. In order of importance they would prefer
the mentor to be: colleagues/business contacts (26%), other business people (17%), retired business people (16%) and consultants (14%). They were not particularly in favour of mentoring organisations or Small Business Government appointees, while friends were considered to be not suitable. The choices indicate the importance of business experience in a mentor and also suggest that government policy in employing 'consultants' to assist women may not be the most appropriate strategy to employ.

Interestingly, the overwhelming choice of business advice required from a mentor was marketing, strategic planning, financial information, and personal counselling. These needs reflect the self-perceptions of the women concerning their business skills, and also a desire to improve themselves both as business-people and as professionals.

The evidence from the 1994 study suggests, then, that the women believe that both they and their businesses could benefit from a mentoring arrangement.

In respect to networking, the women were asked a series of questions concerning membership of industry associations, the extent of the women's activity in these associations, membership of women's organisations and any benefits derived from membership, and the type of networking activities engaged in by the women. They were also asked to discuss the number and purpose of overseas trips, how they kept up-to-date with trends affecting their businesses and opinions on selected activities which might help them overcome a feeling of isolation.
The women belonged to a wide variety of industry, business and professional associations. In fact, no woman belonged to none, while many women belonged to one or more. However, many women had difficulty in differentiating between the various types of associations - that is, industry versus professional, and tended to treat them all the same. Hence, it was not possible to differentiate membership along these lines (researchers' note: we had intended to do this as there is a big difference in belonging to the Chamber of Commerce in comparison to the Australian Consortium of Experiential Educators even if some of the activities engaged in, and benefits derived, may be similar).

Generally speaking, the women belonged to professional associations, the variety being determined by the discipline/professional orientation of their original education or the focus of their business. The main industry/business organisations were the various Chambers of Commerce, Retail Traders' Association, Employer's Federation and the like. Women's organisations also covered a broad spectrum ranging from the well-known ones such Women in Management, Women Lawyers, Business and Professional Women and Zonta to more obscure ones such as Blue Mountains Women in Trades and Women's Action and Information Group.

Perhaps predictably not many of the women held executive office in these organisations. Quite a number went to meetings and/or seminars, while others contented themselves with reading newsletters and seeking occasional advice.
Overall the women felt that membership helped them keep abreast of issues, allowed them an opportunity to exchange information or attend seminars etc, networking opportunities, and enabled them to keep in touch with other women in similar situations (that is, 'only another woman would understand my situation').

In terms of networking opportunities themselves, the women identified meetings, conferences and lunches and dinner parties as being the most fruitful. This is probably because most women's organisations actively promote networking opportunities, with time being often put aside in a meeting for women to network or promote their businesses and specialised services. Similar efforts do not occur at the local Chamber of Commerce apart from an exchange of business cards.

Interestingly, some 61 per cent of the cohort make no overseas trip a year in association with their business. In other words, they are purely local operations. Twenty-seven per cent make one overseas trip a year, while a mere ten per cent make two or more. The extent of overseas travel defines the nature of the business - i.e. small and service-oriented, with local clients.

The purpose of the overseas trips also reveals interesting information. Twenty-four per cent of trips are to attend conferences (keeping up-to-date or presenting papers in their field), 19 per cent are for contacts, 14 per cent are to study the latest trends while 6 per cent are to attend trade fairs. Only 4 per cent of the women nominated buying for the business as their reason for travel. These choices confirm the conclusion above that the business is localised and not dealing in products which would orient it towards an
export market. This finding is contrary to other evidence from the LEK Partnership (1994) that service industries (including those run by women) present a growth export opportunity for Australia.

Finally, the women nominated how they kept up-to-date with trends that affected their business. In order of priority, they nominated reading trade/professional magazines (25%), attending seminars (19.5%), general radio/print/tv media (18%), and attending industry association meetings (12%).

Overall, this section highlights the importance of mentors to self-employed women and reflects the need expressed in the first study that the women would like a 'coach' or 'advisor' to help them with their business (Still and Guerin, 1990). Small business women (and men) do not have access to groups such as TEC (The Executive Connection) which caters for the CEOs of large organisations. Yet, a similar need exists. This suggests a policy direction for those agencies and organisations concerned with small business development.

Personal Details

The cohort was predominantly aged between 30 and 60, married or living in a defacto relationship (66 %), with tertiary qualifications (63 %), dependent children (46%), and with the business providing the major financial support for the household (67%).

A quarter of the women were also currently studying for a further degree or professional qualification to enhance their personal skills and the
survival of the business. Most courses were of a business orientation. Sixty-seven per cent of the cohort were also born in Australia, with the next largest percentages coming from United Kingdom and New Zealand. The cohort, like 1989, contained few women of ethnic origin of either Asian or European extraction.

As the respondents come from the same cohort, these results present a similar personal profile to the 1989 study.

Conclusion

The 1994 study has investigated the on-going businesses and experiences of a sub-sample of Australian self-employed women. Two main findings emerge from this longitudinal 'snapshot':

- the women appear to be operating in a 'steady state' from both an operational and personal point of view. There has been little change in the nature of their business or much expansion by way of new directions or increases in staff.

- the results, in some instance, reflect the maturing of the self-employed woman and her business. This maturation is indicated by the changing priorities re sources of assistance, the well-stated need for a mentor to help develop the business, and the engagement in networking activities for information and support.

While the results present few surprises, they add to knowledge on the dynamics of the operational phase of women's businesses as well as
suggest the need for some fresh policy directions on the part of government agencies - for instance, in mentoring and provision of advice. They also suggest that government should not be too hasty in expecting economic recovery to hinge primarily on the back of small business, both in terms of export drive and solving the unemployment situation. The 1994 study of this sub-sample, like the 1989 review, clearly indicates that self-employed women operate micro-businesses with a local focus. Further research is now needed to determine whether these results are applicable to other groups of self-employed women (for instance, ethnic women, rural women and 'contributing wives'), or whether they are a reflection of the type of small business woman who has been studied to date - that is, middle-class, profession, Anglo-Saxon women.
APPENDIX 1

Definition of 'Reactive' and 'Proactive' Strategic Behaviour

(Cited in Department of Industry, Technology and Commerce Second Annual Report Small Business in Australia, June 1992, p5)

"The OECD cites two extremes of strategic behaviour to illustrate the personalised aspect of the smaller enterprise:

• that of a business person who prefers to perpetuate his or her firm and maintain its independence, even to the detriment of its growth; a behaviour described as 'reactive'. This business person is averse to long-term debt, focuses on internal problems and adjusts to changes in the economic environment. He or she takes a wait and see attitude to new technologies, is very careful about the soundness of any financing operations, the market outlets suitable for increasing production, and the availability of internal resources for such an investment;

• far removed from this strategy is that of the business person who aims mainly for growth, takes risks and starts up activities in a phase of rapid growth; described as 'proactive' behaviour. This business person seeks new markets or new niches, agrees to work with sub-contractors and joins dynamic networks. Among the first to try out new technologies, he or she is a leader in this field; if need be, this type of business person will develop a technology suitable for his or her needs, often in conjunction with a private or public research centre."

BIBLIOGRAPHY


