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THE ECONOMIC OUTLOOK FOR ENTREPRENEURIAL WOMEN AND WOMEN-OWNED ENTERPRISES IN THE U.S. AND POLAND

Keywords: women entrepreneurship, women-owned enterprises, USA, Poland

Abstract. The U.S. is an unquestionable cradle of entrepreneurship and small business. This paper is concerned with developments of women entrepreneurship and women-owned enterprises in the U.S. The issues of growth, access to finance and development perspectives of women-owned businesses are discussed. The paper presents the sector profile, identifies the most important barriers to its development as well as the elements of sustainable entrepreneurship ecosystem for women (holistic approach). Last but not least is a short characteristics of Poland regarding the entrepreneurship among women.

Perspektywy gospodarcze przedsiębiorczych kobiet
oraz przedsiębiorstw będących własnością kobiet w USA i w Polsce

Słowa kluczowe: przedsiębiorczość wśród kobiet, przedsiębiorstwa prowadzone przez kobiety, USA, Polska

Abstrakt. Stany Zjednoczone są niekwestionowaną kolebką przedsiębiorczości oraz small businessu. W populacji przedsiębiorców oraz właścicieli małych firm znaczną część stanowią kobiety. W niniejszym artykule omówiono kwestie rozwoju przedsiębiorczości wśród kobiet w USA oraz w Polsce i prowadzonych przez nie przedsiębiorstw. Poruszono zagadnienia związane ze wzrostem gospodarczym, dostępem do źródeł finansowania działalności gospodarczej oraz perspektywami rozwoju firm będących własnością kobiet. Oprócz profilu sektorowego, zidentyfikowano najważniejsze bariery rozwoju firm oraz elementy ekosystemu zrównoważonego rozwoju przedsiębiorczości wśród kobiet (podejście holistyczne).

Introduction

The U.S. is an unquestionable cradle of small business and entrepreneurship. In order to indicate the countries most favoring entrepreneurship, one must pay attention to

several factors that have the greatest impact on running a business. These key factors include:

- tax and economic environment,
- legal system,
- labor costs,
- commercial law,
- industry experience,
- access to finance,
- innovation.

In almost every case, the U.S. can be mentioned first. The reputation of this country as a cradle of entrepreneurship lies deeply in the minds of business people all over the world. Among the entrepreneurs and managers in the U.S. (and Poland) men predominate. The same is true for pay levels. However, entrepreneurial women and their businesses also play a significant role though they must still face significant hardships their male counterparts do not face (21st Century Barriers..., 2014). Over the past few decades the entrepreneurial women have made significant strides in growing businesses and creating new jobs. They have built businesses that are relevant, innovative, and responsive to market demand playing a significant role in rebuilding the middle class. Female entrepreneurship is an important challenge for modern societies, but at the same time a complex phenomenon. On the one hand there is a clear economic context, but on the other hand, the activity of self-employed women and taking on the role of business owners is strongly culturally conditioned. The main aim of this publication is to broaden the knowledge of women entrepreneurship in the US and in Poland, including empirical research and industry reports, to formulate recommendations for supporting women entrepreneurs and reducing barriers to entrepreneurship. The additional objective is to present the current determinants of the development of entrepreneurial attitudes among women in the U.S. and in Poland as well as the assessment of the conditions of functioning of women conducting economic activity in contemporary socio-economic conditions. The following assumption (hypothesis) was made in the publication: for the development of the economy it is necessary to promote the entrepreneurship of women and to increase their participation among business owners.

Analysis of subject literature, statistical sources and empirical research reports indicate that women's entrepreneurship contributes to economic development by creating new products, services and jobs. The growing number of female business owners demonstrates that women exhibit entrepreneurial traits that effectively break social barriers and participate actively in economic processes.

1. The increased role of women entrepreneurship and women-owned businesses in the U.S.

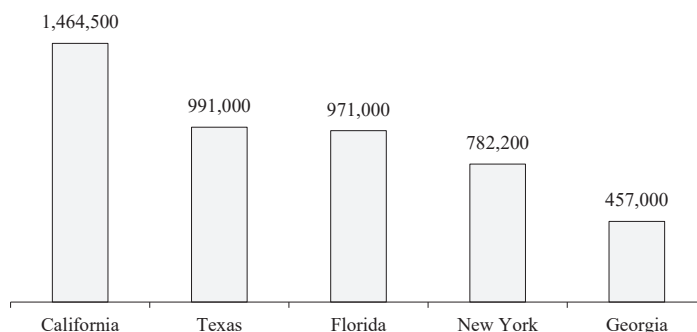
Women's entrepreneurship has turned into an integral contributor to innovation and job growth. It is expected that the number of women-owned and women-led businesses increase by more than 50% over the next 5 years (*2015 Annual Report...*, 2015). Between 1997 and 2007, women-owned enterprises grew by 44% – twice as fast as male-owned firms (National Women's Business Council, 2008). The U.S. Census Bureau collected the first nationally representative data on women's business ownership in 1972 and the survey indicated that there were only 402,025 women-owned firms operating in the U.S. (U.S. Census Bureau, 1976) whereas currently, there are over 11.3 m enterprises, employing nearly 9 m people, and generating \$1.6 trillion in sales (*Census Bureau Reports*, 2015).

Table 1. Trend in number of U.S. women owned enterprises, 2007–2016

	2007	2012	2016
Number of firms	7,793,139	9,878,397	11,313,900
Employment	7,579,876	8,431,614	8,976,100
Sales (\$)	1,202,115,758	1,419,834,295	1,622,763,800

Source: own elaboration based on: The 2016 State Of Women-Owned Businesses: Summary Tables, Commissioned by American Express OPEN A Summary of Important Trends, 2007–2016, p. 4.

Figure 1. Number of Women-owned Businesses in top 5 states



Source: own elaboration based on: The 2016 State Of Women-Owned Businesses: Summary Tables, Commissioned by American Express OPEN A Summary of Important Trends, 2007–2016, p. 1.

Between 2007 and 2016, the number of women-owned firms grew (increased by 45%) at a rate of five times the national average (*Women Fueling Post-Recession...*, 2016). The greatest increase in the number of enterprises has been in more traditional industry sectors. One in five enterprises with revenues of \$1 m or more is women-owned and 4.2% of all women-owned firms have revenues of 1 m or more. 90% of women-owned businesses have no employees other than the business owner (*Women-owned businesses carving...*, 2014). Women-owned enterprises account for 31% of all privately held business ventures and contribute 14% of employment and 12% of revenues. There has been an increase of 8.3 m (net) new jobs over the past 7 years and it is comprised of a 9.2 m increase in employment (in large, publicly traded corporations) combined with nearly 0.9 m decline in employment among smaller, privately held companies (*2015 Annual Report...*). The six fastest-growing states for women-owned firms since 2007 in terms of growth in number, employment and revenue are: North Dakota, South Dakota, Texas, Iowa, Indiana and Wyoming (*Women Fueling Post-Recession...*, 2016).

2. Business environment and entrepreneurial ecosystem for entrepreneurial women

The entrepreneurial spirit among women is well due to favorable legal environment as well as a market positive response with innovative and alternative strategies for capital and market access for women-owned businesses. The U.S. Congress proposed a legislation in support of women's entrepreneurship and the White House committed to the empowerment of women and girls. Moreover, the U.S. Small Business Administration (SBA) focused on achieving the 5% federal procurement goal for women-owned businesses (though, it has never met it). Among the other factors that are improving the business climate for women there are the following: low interest rates, easier access to expansion capital, earlier stage investment opportunities, women in finance serving as business angels, VC investors and fund managers, an increased women consumers' demand for products and services. They contribute to ample business opportunities and a plenty of drive among entrepreneurial women. Moreover, the cultural landscape has changed and there has been a shift in the conversation about women's entrepreneurship. It results from an increase in women launching their companies and the recognition of their impact on the economy by business press (*2015 Annual Report...*, p. 9).

One of the best ways to support entrepreneurs are through interactions across a community of organizations, institutions, actors and processes. The SBA and

the federal government should improve their performance in the following areas supporting women entrepreneurship (*Entrepreneurial Ecosystems...*, 2017):

- more information on federal contracting and taking advantage of new programs,
- access to capital, especially for start-ups,
- increased mentoring opportunities specific to industry, technical training, contracting as well as financial literacy,
- promoting SBA programs and resources to women entrepreneurs,
- networking opportunities with special emphasis on industry-specific means to access sources of capital and to reach new customers.

The aforementioned interactions should correspond with a well-balanced and sustainable entrepreneurship ecosystem based on the holistic approach which should recognize the various factors of the business climate, their influence and interconnectedness. A vibrant and sustainable ecosystem strongly considers the connections between its elements (*Measuring An Entrepreneurial Ecosystem*, 2015) and the major components include finance, culture, human capital, community building, innovation, markets, policy, resources and investments in these areas should improve the business climate. The key system entities include policymakers, individuals, organizations and institutions (*2015 Annual Report...*, p. 32). The active pro-business attitude(s) of the participants can contribute significantly to increasing access to capital at various stages of business development.

3. Troubled access to capital for women and its recent significant shift

Historically, women have not had equal access to financial markets due to the systemic bias against women business owners (Research by the Global Initiative for Women's Entrepreneurship Research). Moreover, they hadn't obtained the funding because they might not understand the process and frequently did not ask (Beesley, 2016). Women entrepreneurs face numerous barriers regarding the growth of their businesses, including an inability to compete with large businesses. Less than 3% of women-owned enterprises cross over the million dollar threshold in revenue. Moreover, women entrepreneurs still face a significant wage gap. They frequently have smaller amounts of start-up capital than their male peers (on average, women start their business with half as much capital as men – \$75,000 vs. \$135,000).

In the case of high growth potential enterprises the capital differences between women-owned and men-owned entities (at the time of founding) are also considerable

– \$150,000 vs. \$320,000 (*Problem: Women Entrepreneurs Need Greater Access to Capital*, 2017). Among the most significant challenges related to business growth is a lack of growth capital as well as a lack of new business opportunities. According to the *Women in Small Business Survey 2013* (Ready to Grow: A Snapshot of Women Small Business Owners, 2013), one in four of respondents (26.2%) consider financing as a barrier to entry or growth in the small business market, and about 6% noted difficulty in obtaining funding. The external funding is secured after an average of 2.7 attempts. In 2015, 40% of businesses sought outside funding and 60% of them succeeded to secure funding (median loan sizes in 2015 were \$332,000). Women are more likely to use personal savings to begin a new business and bank loans are underutilized. Only 5.5% of women-owned firms use business loans from banks or other financial intermediaries to start their businesses compared to 11.4% of men-owned firms. There is a gender gap in equity financing and women receive 1% of VC financing compared to 4% of men. There is a noteworthy example of capital source focusing on women – Golden Seeds. It is one of the nation’s most active early-stage investment firm focused on vibrant opportunities of women-led businesses. Since its founding in 2005, it has invested over \$90 m in over 85 women owned enterprises (www.goldenseeds.com).

Women are more likely to outperform their men counterparts in meeting crowdfunding goals. They are more likely to succeed at a crowdfunding campaign, more active on social media and more collaborative when they invest (Greenberg, Mollick, 2016). Women business owners are very engaged with new ITC developments. 92% report they try to stay updated with innovations that could be incorporated into their enterprises (*Business women speak out on the issues*, 2016).

Since 2015 there has been a significant shift in funding sources ranging from collateralized bank loans to lines of credit and the funding is most commonly used to finance the existing business (*Business women speak out on the issues*, 2015). Women-owned enterprises have been trending towards alternative lending sources for access to capital. The remarkable shift and increase was visible in sources of capital, such as crowd sourcing (e.g., peer-to-peer lending, reward-based funding, etc.) and hybrid models. There are many possible ways to increase access to greater amounts of capital available to women-owned and -led firms, e.g.:

- increase resources available to business owners on capital/financing strategies,
- increase lending by credit unions and smaller community banks,
- address creditworthiness and capital challenges for startups (exploration of new ways of credit scoring and promotion of crowdfunding).

In order to realize the above goals the following key government and non-government actors have to be involved (*2013 Annual Report*):

- Government Partners: SBA, Office of Capital Access, Office of Women's Business Ownership, House and Senate Small Business Committees,
- Non-Governmental Partners: Credit Unions, Women's Business Organizations, Association of Women's Business Centers; Leaders in private equity, VC and angel investing, companies and advocacy groups exploring new credit platforms.

The next critical steps for policymakers to confront the challenges that women-owned firms face should include (among others) modernizing and improving the SBA Microloan Program and the Intermediary Lending Program as well as modernizing the Women's Business Center program (increasing program funding and changing grant ceiling awards) (*21st Century Barriers...*, 2014).

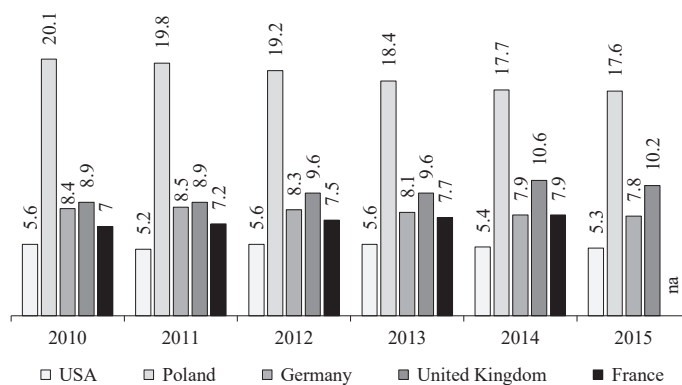
4. The unrecognized considerable potential of female entrepreneurship and the economic outlook for entrepreneurial women in Poland

In the case of Poland, within the last two decades some crucial socio-cultural norm changes regarding women approach to business have been progressing. Entrepreneurship has always been the male's attribute but the newest generation of women is observed to be more and more interested in seizing new business opportunities and there has been a lower risk aversion among them. What is more, women value entrepreneurial qualities such as: diligence, creativity and innovation. These are undoubtedly the elements of a contemporary approach to run a business. Statistics say that women in Poland are generally better educated than men, and many of them successfully combine professional life with the role of a mother.

Despite the fact that in Poland (like in many other countries) entrepreneurship remains mostly within the male's domain, recently more and more women has become entrepreneurs and owners of small businesses. There is also a growing number of women who manage large corporations or play the role of a CEO, facing a severe foreign competition (Szepelska, 2013). Poland is at the forefront of countries with the highest percentage of women in leadership positions. The statistics show that the self-employment rate among women remains one of the highest in Europe, revealing a large gap between Poland and the U.S. (17.6% and 5.3% respectively in 2015)

– Figure 2 (www.data.oecd.org). Since 2010 the figure has dropped significantly from 20.1% in 2010 to 17.6% in 2015 but still remains the highest among the rest of the presented countries.

Figure 2. Self-employment rate in Poland, U.S. and other European states 2010–2015



Source: <https://data.oecd.org/chart/4OTZ> (28.04.2011).

It is much more difficult for women to successfully run a business in Poland. Female entrepreneurs meet much more obstacles than their male counterparts. The barriers limiting entrepreneurship among both women and men include a high non-wage labor costs, complicated procedures for establishing, running and closing businesses, numerous formalities and unstable, frequently changing labor law (Borowska, 2013). Moreover, businesswomen experience additional difficulties like socio-cultural factors and stereotypes determining their life choices (and therefore their business decisions), a necessity to reconcile a career with bringing up children, as well as poorer access to financing. Also the general level of economic activity in Poland was hampered due to unstable political and economic situation in the Eurozone as well as in Poland. There is also a high fear of failure among Polish businessmen and businesswomen compared to other countries (Dziedzic, 2017).

The potential of female entrepreneurship is considerable, though, for some reason, it is not recognized and exploited. Most Polish women do not seize business opportunities due to their low self-esteem and self-confidence. As a consequence, they evaluate their entrepreneurial competences as poor and not satisfactory to set up and run a new business. Moreover, they are afraid of failure much more than their male counterparts. The above mentioned factors continue to make a significant difference in starting a business by women and men. Nevertheless, the number of

startups set up by women has been growing (Tarnawa, Węclawska, Zbierowski, Bratnicki, 2012).

A growing interest in the area of women activity on labor market in terms of entrepreneurship, together with a growing number of Polish institutions and organizations promoting the entrepreneurship among women and lowering unemployment by supporting the development of women-owned business ventures, may positively influence the entrepreneurial ecosystem for women.

Conclusions

Female entrepreneurship is becoming an increasingly important part of economic life. Over the past few decades the entrepreneurial women in the U.S. have made significant strides in growing businesses and creating new jobs and it is expected that the number of women-owned businesses increase by more than 50% over the next 5 years. Entrepreneurial women and their business ventures are the fastest growing segment, despite significant hardships, including a lack of growth capital. The business climate for women is positive and it could be further improved by low interest rates, easier access to expansion capital, earlier stage investment opportunities, women in finance serving as business angels, VC investors and fund managers as well as an increased women consumers' demand for products and services. Women business owners are very engaged with new ITC developments and they are more likely to outperform their men counterparts in meeting crowdfunding goals. The remarkable shift has been visible in peer-to-peer lending, reward-based funding and hybrid models. One of the best ways to support women entrepreneurs are through interactions across a community of organizations, institutions, actors and processes corresponding with a well-balanced and sustainable entrepreneurship ecosystem built with the use of a holistic approach.

As far as the women entrepreneurship in Poland is concerned some crucial socio-cultural norm changes regarding approach to business have been progressing and there has been a lower risk aversion. Poland is at the forefront of countries with the highest percentage of women in leadership positions and the self-employment rate among women remains one of the highest in Europe, revealing a large gap between Poland and the U.S. Poland holds a leading position in the category of participation of women self-employed in total employment. The specific determinants influencing the participation of women among entrepreneurs in Poland include: technological development, economic factors, unemployment, cultural factors and institutional and demographic factors. Women less often than men are active in the advanced

technology sector, and the increase in wealth is accompanied by demand for services that provide space for women's entrepreneurship. Unemployment has a greater impact on women's entrepreneurship, as they are mainly "pushed out" of work during the crisis and have to look for sources of income in their own business. It is important to accept women as entrepreneurs, taking into account important institutional and demographic factors (e.g., fertility, having a partner). The main limitation of the presence of women in the labor market is the lack of possibility to reconcile work obligations with family, especially with care functions.

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