

Gender of Owner Plays a Role in Business Growth

by Judith Potts

En prenant en considération le sexe des chefs d'entreprise, le Projet des inventrices (Women Inventors Project) a étudié le taux de croissance des industries canadiennes entre 1985 et 1989 afin de déterminer si les entreprises appartenant aux

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femmes croissaient à un rythme différent de celui de leurs homologues masculins. L'étude révèle des différences intéressantes entre hommes et femmes ainsi que des lacunes dans l'information. Finalement, l'étude propose des solutions pour remédier à ces lacunes.

Recently, the Women Inventors Project published the results of a study conducted to investigate whether the gender of business owner(s) played a role in differing growth rates of Canadian businesses between 1985 and 1989. In particular, the study sought to determine if businesses owned by women grow at a different rate than businesses owned by men or by men and women business partners.

The answers to such questions are important to all those interested in understanding the dynamics of female entrepreneurship. They are especially of interest to policy makers who seek to stimulate conditions that make it possible for all businesses to grow at an optimal rate.

Despite the fact that research on men and women entrepreneurs is available, before this study was carried out, little was really known about the relative performance of their firms in terms of employment and revenue. A large proportion of the prior research concerned the motivations of men and women entrepreneurs in starting a business and maintaining it. Other research dealt with the particular challenges and difficulties that face women entrepreneurs as compared to their male counterparts, including the impact of domestic and family responsibilities, stereotypes and prejudices, and the lack of managerial experience and role models.

Knowing that women entrepreneurs have particular motivations and face some specific challenges, one may wonder whether these conditions have an impact on the performance of these businesses. That is what the Women

Inventors Project's study set out to investigate.

Entitled "Growth of Women-Owned and Men-Owned Businesses in Canada 1985-1989," the study was funded by Industry, Science and Technology Canada (Entrepreneurship and Small Business Office), Atlantic Canada Opportunities Agency, Federal Business Development Bank, as well as a number of provincial ministries, private business associations, and universities. Analysis of the data obtained from Statistics Canada was undertaken by Dr. Hélène Lee-Gosselin, Associate Professor in the Department of Management at the Université Laval.

Data was analyzed from the records of approximately 120,000 Canadian businesses which were active in 1989 and which could be located and matched with their 1985 tax returns in order to compare their performance and growth. The information available from Revenue Canada limited the analysis to variations in the number of payroll employees and in gross business income over time.

Some of the estimated universe of 1,000,000 Canadian businesses were excluded according to agreed criteria. For example, those not apparently active both in 1985 and in 1989 were ineligible for this study. Others could not be included because of incomplete data. The most important exclusions occurred because the social insurance numbers of owners (which provide the only link to gender and other individual characteristics) are reported on company tax returns on a voluntary basis.

The study highlighted some interesting observations and can undoubtedly serve as a benchmark for further research. Perhaps even more importantly, it identified areas that could not be investigated because of the way in which data is currently collected.

Findings of the study identified areas where growth patterns were and were not influenced by owner gender. Key findings in gender-influenced differences include:

- The largest proportion of businesses owned jointly by men and women are in the Prairies and British Columbia, by men in Quebec, and by women in the Maritimes.

- Fewer women-owned businesses than men-owned or men-and-women-owned businesses grew in gross business income during the study period and more women-owned businesses decreased in size.

- Among the smallest businesses, those owned by women did not grow as much as those owned by men or by men-and-women.

- Incorporated businesses owned by women always had a smaller shift in the median gross business income compared to those owned by men or by men and women. The positive shift is smaller than the inflation rate in some industries.

- Unincorporated businesses owned by women had a

larger percentage shift in the median gross business income between 1985-1989 compared to other unincorporated businesses.

•The differences in gross business income of women-owned and men-owned businesses varied across industry segments, with men-owned businesses doing significantly better in the finance/insurance/real estate, manufacturing, and retail industries.

•Women-owned businesses in manufacturing industries experienced almost no growth, whereas the other two gender groups experienced shifts in the median of around 30 per cent, both in median number of employees and gross business income.

•In the services, retail, and transportation sectors, the growth rate in number of employees was larger for women-owned businesses than for the other groups.

•In all regions of Canada, women-owned businesses have lower median numbers of employees and lower median income than businesses owned by men or by men and women.

•There are major regional differences by gender of owner in median gross business income change for incorporated businesses.

•In most industries and in most regions of Canada, even though women-owned businesses did not grow as much as men-owned businesses, they did seem to achieve higher productivity both in 1985 and 1989.

As noted, because of the way in which data is collected, it was impossible to obtain the data necessary to undertake a comparative study of growth indicators other than number of employees and gross income. Better indicators of overall business performance which link gross revenues and the resources used to generate that revenue must be developed. In this study, the Women Inventors Project attempted to generate a rough estimate of productivity by linking gross business income with number of employees. Other such indicators must be developed to guide policy makers in designing efficient means to support businesses that are most likely to benefit from the support.

The study suggests that if policy makers agree that there is value in tracking the growth of businesses by owner gender, there are several strategies that can be followed. The most cost efficient would appear to be to obtain the collaboration of Revenue Canada in collecting essential data which could be coded in appropriate ways. This would include:

•Mandatory reporting of the social insurance number of the owner(s) on the business' tax form. This would make it possible to adequately classify single versus multiple owner firms. By linking this information to other files, it would be possible to determine the gender of the owner(s). Such mandatory reporting would make it possible to generate statistically representative samples of businesses by gender of the owner(s).

•Elective reporting of the gender of the owner(s) on the business' tax forms. Revenue Canada could ask firms to volunteer information on the gender of the owners by

asking the firm to mark the appropriate description—single female owner, multiple female owners, single male owner, multiple male owners, or men and women owners.

•Generating appropriate codes to distinguish businesses that failed to report some data from businesses that became inactive.

The advantage of this strategy is that it uses existing data, which would be very cost effective. It also makes it possible to monitor variations in growth and business performance over longer periods of time and, therefore, to monitor the impact of policies over different time frames.

"Growth of Women-Owned and Men-Owned Businesses in Canada 1985-1989" succeeds in documenting interesting hypotheses about the growth of businesses in relation to the gender of the owners. It is a worthwhile step in the continuing quest to advance our knowledge of women-owned businesses. Let's hope policy makers take the necessary steps to generate the information required to go further towards realizing these goals.

Copies of the study (in English or French) can be obtained for a nominal fee from the Women Inventors Project Inc., 1 Greensboro Drive, Suite 302, Etobicoke, Ontario M9W 1C8, telephone (416) 243-0668, fax (416) 243-0688.

Judith Potts is a member of the Advisory Council of the Women Inventors Project and served as project co-ordinator for this study.

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