

# Advancing Female Entrepreneurship

In London, Paris, Frankfurt and Berlin



MOVING AHEAD



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## Our research

Our research builds on the work of the Alison Rose Review (March 2019). Our aim was to extend our understanding of female entrepreneurship beyond the UK and London to other major European cities. The research combined detailed data analysis with in-depth surveys and interviews that would shed light on the experiences and motivations of women in each city.

To this end:

- ▶ We reviewed more than 70 reports from a variety of countries and sources.
- ▶ We interviewed more than 60 female entrepreneurs, incubators, women networks and VCs across the four cities of London, Paris, Frankfurt and Berlin (see Appendix 1).
- ▶ We surveyed a representative sample of approximately 1600 men and women non-entrepreneurs across the four cities, and a further 400 men and women entrepreneurs (see Appendix 2).

Our analysis compared responses from women and men, parents and non-parents, and owners of large and small businesses. We further analysed responses from lower-income respondents (defined as a total household income below €30,000 in Paris and Frankfurt/Berlin; £30,000 in London).

The research was carried out between November 2019 and February 2020.

# Foreword



“Empowering female entrepreneurs will both benefit society and increase prosperity.”

Entrepreneurship is a powerful engine for economic growth. New businesses stimulate innovation, acting as catalysts for new or improved products and services. As governments look to fuel economic recovery after the global shock of COVID-19, the energy and dynamism of entrepreneurs will be more important than ever.

The most successful countries will be those which also harness the full economic potential of women as entrepreneurs. In the UK, France and Germany, women are half as likely as men to think about starting a business, or to actually start one. Women who set up a business are far less likely than men to sustain it over time or to achieve a turnover of € / £1 million. The cumulative effect of these shortfalls is a huge missed opportunity to increase economic value.

This report summarises the key findings of research commissioned by Moving Ahead into the barriers that hold women back from entrepreneurship and the interventions that can help them succeed. Our in-depth surveys and interviews have created a detailed picture of women's needs and concerns in London, Paris and Frankfurt/Berlin. Our thanks go to J.P. Morgan for their financial support and to McKinsey & Company for conducting the research.

This research aligns with our mission at Moving Ahead: to advance workplace inclusion and diversity. We support many female entrepreneurs through structured mentoring programmes. These research findings give further testimony to the importance of this work.

It also resonates with me personally as a female social impact entrepreneur. I founded Moving Ahead six years ago and am resolute to ensure that we support and empower fellow entrepreneurs.

Our goal is simple and compelling. If we can increase the number of female entrepreneurs across all sectors and help them grow their businesses, we will see huge benefits to society through greater inclusivity and diversity of thought. We will also greatly increase economic value and prosperity.

Liz Dimmock  
CEO and Founder, Moving Ahead

# Executive summary

## The value at stake: a cross-country perspective

- ▶ About one in three entrepreneurs in the UK, France, and Germany are female. Of every 100 men, 15 are entrepreneurs, but only 8 of every 100 women.
- ▶ An additional €570 billion to €665 billion of value – an 8 to 9 percent increase in the total economic output of the three countries – could be created if as many women became entrepreneurs as men and if female-led businesses generated as much value on average as male-led businesses.

## Fewer women intend to start businesses than men

- ▶ Across the four cities, just 26 percent of women intend to start a business in the next three years, compared to 34 percent of men. The intention gender gap varies somewhat by city. In London, where women are as likely as men to express entrepreneurial intent, it was zero. The gap was highest in Frankfurt/Berlin, with a 16-point difference.
- ▶ Lower-income respondents in all cities are significantly less likely to express the intention to start a business, but gender gap differences remain broadly similar in this segment.
- ▶ The two main barriers women mention are a lack of self-belief and low access to sources of capital. Women perceive both barriers more intensely than men. London women mentioned fewer barriers than those in other cities. Women in Paris were most likely to mention the national economy and lack of networks, while funding and lack of industry knowledge were particular concerns for women in Frankfurt/Berlin.

## Fewer women start or sustain businesses than men

- ▶ For women in all three cities, independence is the number one reason to start a business. For men, the most frequently mentioned reason is earning more money. Women in London cited more money as their second most important reason, while Parisian women wanted flexibility for family commitments. Women in Frankfurt/Berlin were more likely to mention using skills and experience than women in other cities.

- ▶ The major barriers for women entrepreneurs are limited professional networks, the economy, and lack of skills and knowledge. Parent entrepreneurs perceive more barriers than non-parents, regardless of gender or stage of their business.
- ▶ Funding is a particular concern for female entrepreneurs. 28 percent of women surveyed feel they do not know where to find funding, compared to 20 percent of men. Women in London were most likely to cite uncertainty about sources of funding, while women in other cities were more likely to say they had applied for funding, but investors doubted their capabilities.

## The challenges women face in growing a business

- ▶ Both female and male owners of scaled businesses perceive more barriers to their future success than owners of non-scaled businesses. Most London business owners rated most barriers as low, however. Parisian business owners were most concerned about limited networks, while care commitments were a particular concern for women owners. Owners of scaled businesses in Frankfurt/Berlin were most likely to cite lack of self-confidence as a barrier.
- ▶ The sources of funding used by scaled and non-scaled businesses do not appear to vary significantly. Personal savings were cited most frequently as a source of funding by business owners in all cities, irrespective of business size. Owners of smaller businesses were more likely than large businesses to say they need no funding.
- ▶ Respondents who own scaled businesses consistently value interventions which improve networking, regardless of gender. Owners of non-scaled businesses in all cities see tax benefits as helpful. London business owners also view digital networks as potentially helpful, while comprehensive sick pay packages are rated highly in Paris, Frankfurt and Berlin.

## Initiatives to accelerate female entrepreneurship:

- 01 Create public awareness on gender bias and value at stake to build commitment to change
- 02 Promote female entrepreneurship and diverse female role models
- 03 Foster sponsorship and mentorship for female entrepreneurs
- 04 Encourage investments in female-led businesses
- 05 Create a one-stop shop for business support for all entrepreneurs
- 06 Facilitate networking in more intimate settings
- 07 Introduce benefits for entrepreneurs, for example tax benefits, sick pay packages

## Conclusion

The overwhelming priority is to encourage more women to take the leap into entrepreneurship.

The impact of COVID-19 on economies worldwide will exacerbate many of the barriers women were already facing, as highlighted in our research findings. Female owners will then need different forms of support to build their businesses, particularly lower-income women and those from diverse backgrounds.

There is now an urgent need to accelerate implementation of the initiatives we have identified.

We urge governments and other stakeholders to join with us to help more women entrepreneurs realise their full potential.



# The value at stake: a cross-country perspective

Entrepreneurs are vital to the economic health and prosperity of the UK, France and Germany. New businesses stimulate innovation, acting as catalysts for new or improved products and services. In large, diverse cities such as London, Paris, Frankfurt and Berlin, where many ideas and interactions are generated every day, entrepreneurial activity has the potential to dramatically increase local economic output.

The impact of entrepreneurs would be even greater if women were as likely to start and grow businesses as men. An additional €570 billion to €665 billion of value (GVA)<sup>1</sup> – equivalent to an 8 to 9 percent increase in total economic output – could be created across the three economies if as many women became entrepreneurs as men, and if women-led businesses generated as much value as those led by men.

## The value creation challenge

Fewer than one in three entrepreneurs in the UK, France, and Germany are female. Of every 100 men, 15 are entrepreneurs, but only 8 of every 100 women. The gender gap varies somewhat by country, but the overall picture is very similar, as shown in Chart 1:

- ▶ The UK has the highest level of male entrepreneurs at 20 of every 100 men, but also the largest gender gap, with only 9 female entrepreneurs for every 100 women.
- ▶ In Germany, 16 of every 100 men are entrepreneurs compared to 9 of every 100 women.
- ▶ France has the lowest proportion of both male entrepreneurs at 10 out of every 100 men, and female entrepreneurs, at just 7 women out of every 100.

Women-led businesses also generate 40 percent less economic value than those led by men, as they are typically smaller and more likely to be in lower value, less productive sectors.

## The value creation opportunity

The projected additional value at stake stems from two sources: more women starting new businesses and more female entrepreneurs successfully growing a new or existing business. The projections are based on the assumption that women in each country could be as successful as men in terms of the number of businesses they create and their average output.

For each country, we calculated the additional value of new female businesses if the share of the working population owning a business was the same for women and men, and if each business generated the average GVA for a woman-led business. We also calculated the additional value created if existing and new female-owned businesses achieved the same average GVA of a male-owned business. Both value figures were adjusted down to reflect some displaced economic activity and cannibalisation within sectors.

Despite differences in the number of new female-owned businesses and average business value, the projected impact for all three countries is remarkably similar: an 8 to 9 percent increase in total economic value, as shown in Chart 2.

The projected increase in value for individual cities varies somewhat between the four cities, though the average increase overall is similar to the national average figure, at 8 to 10 percent. London could see the highest projected increase in total city output, reflecting the large current baseline number of existing small enterprises in the greater London area. The projected increase in total city output is lowest in Paris. However, both London and Paris account for a higher proportion of the UK and French national value at stake totals than Frankfurt and Berlin, as the German economy is less concentrated around single cities.

1. Gross Value Added (GVA) is an output measure of goods and services produced in an economy in a certain period of time.



Chart 1

## Of every 100 men in the UK, France and Germany, 15 are entrepreneurs, but only 8 out of every 100 women

▼▲ Difference women vs. men

Population at each stage, %

Entrepreneurial journey		Total 18-64 year old population	Intent	Start	Sustain	Scale
UK	Men	100	9	11	9	2
	Women	100	5 ▼-44	5 ▼-51	4 ▼-55	1 ▼-79
France	Men	100	24	7	3	2
	Women	100	14 ▼-40	5 ▼-24	2 ▼-42	2 ▼-19
Germany	Men	100	8	7	9	2
	Women	100	4 ▼-57	3 ▼-50	6 ▼-41	1 ▼-58

NOTE: Intent: Intention of starting a business in the next 3 years; Start: Running a business that is <3.5 years old; Sustain: Running a business that is older than 3.5 years; Scale: Running a business with a turnover > €/£ 1mn. Overall totals (15 men and 8 women entrepreneurs per 100 population) = average number of businesses started and sustained across the UK, France and Germany by men and women respectively.

SOURCE: Global Entrepreneurship Monitor 2018; the Alison Rose Review of Female Entrepreneurship

Chart 2

## Additional economic value of €570 – €665 bn could be created if women started and scaled businesses at the same rate as men

### Value at stake at country level

	UK	France	Germany	Total	
Value at stake	£165 bn - £200bn/ €185 - €230bn <sup>2</sup>	€145 - €160bn	€240 - €275bn	€570 - €665bn	Value at stake as % of annual output metrics for comparison purpose
% of total output of country <sup>1</sup>	8-10	7-8	8-9	8-9	
% of total output of country by SMEs <sup>1</sup>	31-38	16-17	17-19	19-22	

### Value at stake at city level<sup>3</sup>

	London	Paris	Frankfurt	Berlin	Total	
Value at stake	£50 - £60bn/ €55 - €70bn <sup>2</sup>	€45 - €50bn	€20-25bn	€10 - €15bn	€130 - €155bn <sup>5</sup>	Value at stake as % of annual output metrics for comparison purpose
% of total output of city <sup>1</sup>	11-13	6-7	8-10	8-9	8-10	
% of total value at stake for country	30	31	8 <sup>4</sup>	4 <sup>4</sup>	23	

1 Measured as GVA to indicate the value of goods and services produced in an economy

2 Calculated by applying an exchange rate of € 1.1391 per £

3 Inner and outer London, Paris region, Frankfurt-Rhine-Main region, federal state of Berlin

4 Lower magnitude as Germany is less centred around single cities

5 Does not add up due to rounding

SOURCE: GEM; The World Bank; ONS; House of Commons; INSEE; Statistisches Bundesamt; IfM Bonn; KfW; ofx.com; team analysis

# Fewer women intend to start businesses than men

Even before COVID-19 depressed business conditions, fewer women than men expected that they would one day become entrepreneurs. Across the four cities surveyed, 26 percent of women stated that they intend to start a business in the next three years, compared to 34 percent of men (Chart 3). The numbers of lower-income respondents expressing intent are significantly lower for all cities (Chart 4), but gender gap differences remain broadly similar. The intention gender gap varies most by city:

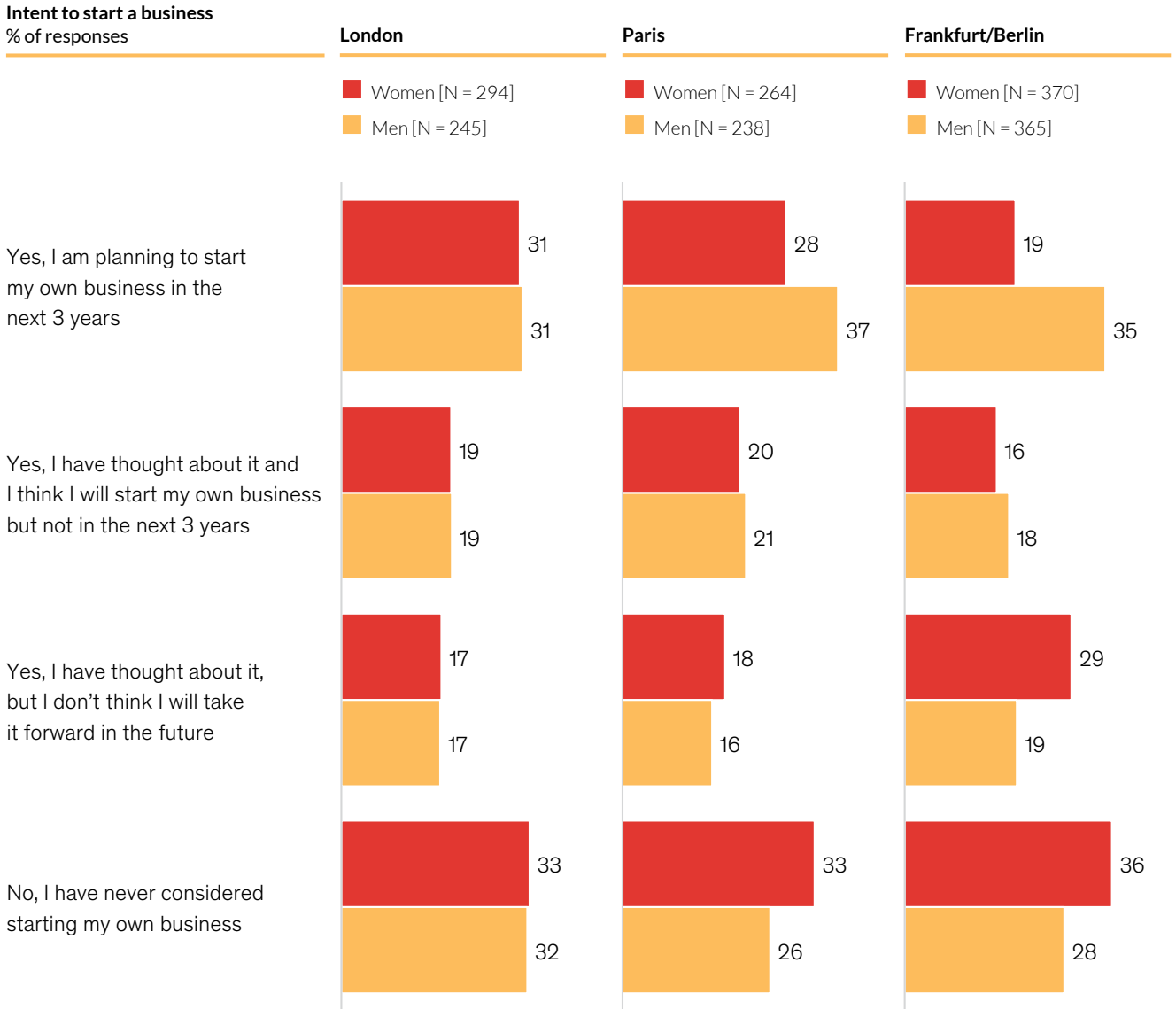
- ▶ In London, men and women are equally likely (31 percent) to intend to start a business and have similar levels of confidence that they will one day take a business forward (though there is a modest 4-point gender gap for UK women generally). At the other end of the spectrum, men and women are equally likely to say they have never considered starting a business. The same pattern – of no significant gender gap – holds true for lower-income respondents in London. Income levels have a significant effect on intent, however. 41 percent fewer lower-income women intend to start a business in the next three years than other surveyed women in London, and 74 percent more lower-income women say they have never considered starting a business.
- ▶ A clearer gender gap exists in Paris, with 28 percent of women versus 37 percent of men saying that they plan to start a business within three years, a 9-point gap. One third of women surveyed (33 percent) have never considered starting a business, a 7-point gender gap compared to men. The intention gender gaps in Paris are similar for lower-income respondents, but 45 percent fewer lower-income women intend to start a business than other women, and lower-income women are 58 percent less likely to have considered starting a business.
- ▶ In Frankfurt/Berlin, the gender gap is greater than in either London or Paris. Only 19 percent of women intend to start a business in the next three years, compared to 35 percent of men: a 16-point gap. A further 29 percent of women have thought about launching a business but are not confident they will take it forward, versus only 19 percent of men – an 10-point confidence gap. Interestingly, women in Frankfurt are twice as likely as women in Berlin to lack confidence to start a business. Women in Frankfurt/Berlin are most likely (36 percent) to say they have never considered starting a business, compared to 28 percent of men. This 8-point gender gap is larger than that in other cities. Intent and confidence are lower for both lower-income men and women, but the gender gap narrows to 11 points on intention to start a business and to 1 point for never having considered it.



Chart 3

On average, 26 percent of women versus 34 percent of men state that they intend to start a business in the next 3 years across all 4 cities in focus

Question asked: Have you ever considered starting your own business?



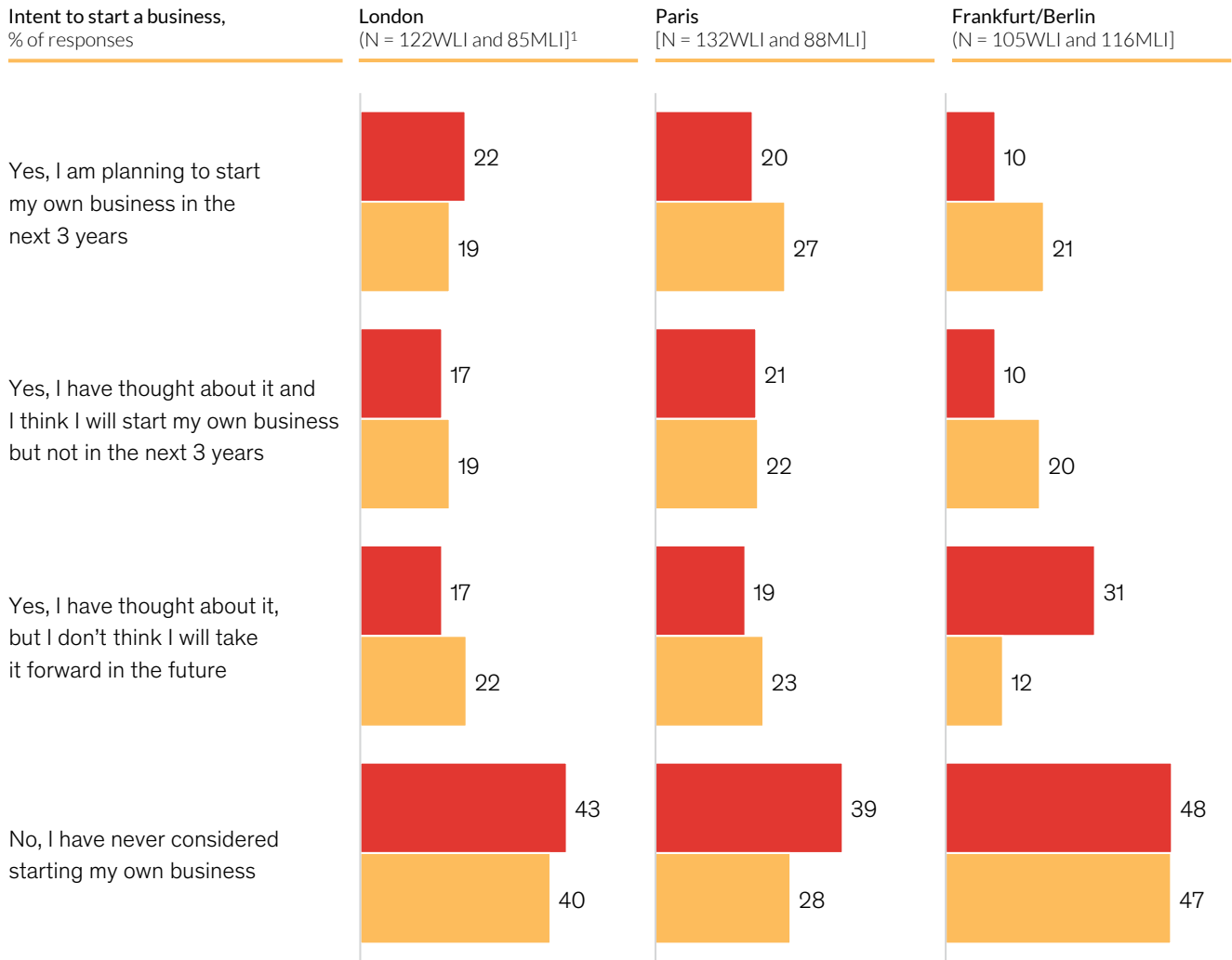
SOURCE: McKinsey Consumer Survey (non-entrepreneur sample), January 2020

Chart 4

In all 4 cities, gender gaps among lower-income respondents follow the same pattern as gender gaps for all respondents

■ Lower-income Women  
■ Lower-income Men

Question asked: Have you ever considered starting your own business?



1 WLI: Women lower-income / MLI: Men lower-income

SOURCE: McKinsey Consumer Survey (non-entrepreneur sample), January 2020

## The factors that encourage or discourage women

The two main barriers women mention are lack of self-belief and low access to sources of capital. Women perceive both these barriers more intensely than men. Conversely, the positive underlying factors driving higher intention to start a business appear to be exposure to entrepreneurs, being younger in age and having had a successful career start.

**Skills and self-belief.** Women's views on the skills required to start a successful business (see Chart 5 opposite) are broadly similar to those of men, though women are more likely than men to see communication, relationships, resilience, self-confidence and networking as important. While women self-assess highly on a handful of soft skills, they score themselves lower than men on most skills (15 out of 18), including their identified top five. Women are particularly likely to say they lack risk-taking skills and confidence, or networking and leadership skills. They are also more likely than men to feel they lack the technical skills or experience to start a business, such as business planning and strategy, digital and technological skills, project planning, or industry knowledge. Only 11 percent of women claim experience in building business plans and strategies, compared to 14 percent of men.

Lower-income respondents – both male and female – are more likely say they lack the necessary skills to start a successful business. On average, 80 percent more lower-income women than other surveyed women mention missing skills and knowledge as a barrier to starting a business. Across all 18 skills, lower-income women are 21 to 27 percent less likely to say they are good at them than other women surveyed.

**Access to capital.** Women seem to have less access to sources of capital than men. Only 34 percent of surveyed women intending to start a business – versus 50 percent of surveyed men – had discussed their business ideas with a bank and/or an investor, or applied to an entrepreneurship competition. Those who did found the discussions mostly discouraging.

**Exposure to female entrepreneurs.** Among non-entrepreneurs, 69 percent of surveyed women (and 92 percent of men) named a man as their top-of-mind successful entrepreneur. The five most-named women accounted for only 10 percent of all women role model answers, suggesting a lack of well-known, widely-acknowledged female entrepreneur role models. By comparison, the five most quoted male names accounted for 26 percent of all male role model mentions.

**Career success.** Roughly half as many surveyed women hold management positions compared to men – 8 percent of surveyed women in the UK compared to 14 percent of men; 4 percent of surveyed women in France compared to 9 percent of men; and 3 percent of surveyed women in Germany compared to 6 percent of men. The absence of a successful career start for many women may accentuate the entrepreneurial gender gap, as the research shows a correlation between a successful career start and likelihood to launch a business.

“ I felt like an imposter – never good enough, not enough experience or education. ”

Female entrepreneur



# Fewer women start or sustain businesses than men

Women are significantly less likely to launch a business than men. At national level, just 5 percent of women in the UK or Germany start a business versus 11 percent of UK men and 7 percent of German men. Even fewer French women (3 percent) do so, compared to 5 percent of French men (ref: Chart 1).

## Why women start a business

In our city-level surveys, women entrepreneurs in all four cities cite independence as the number one reason for starting a business, mentioned by 40 percent of women in London and Frankfurt/Berlin and 47 percent of women in Paris. For men, the most frequently mentioned reason is earning more money, mentioned by 37 percent of men overall versus 30 percent of women. Men also cite flexibility to pursue hobbies more often than women. Other motives vary between cities:

- ▶ Earning more money is the second most important reason for London women (32 percent), followed by flexible work-life balance to handle family commitments (29 percent). 'To challenge myself' was mentioned by 25 percent of London women.
- ▶ For women in Paris, the second most-cited reason is flexibility for family commitments (28 percent), followed by making better use of skills and experience (25 percent).
- ▶ The pattern for Frankfurt/Berlin is somewhat different to other cities. Using skills and experience is the second most important reason cited by women (38 percent). More women in Frankfurt/Berlin mention 'earn more money' (35 percent) and 'execute a great business idea' (25 percent) than in other cities, or than men in Frankfurt/Berlin.

## The main barriers for women running a business

Surveyed women entrepreneurs mention a limited professional network, the state of the economy, and a lack of skills and knowledge as the major barriers to developing their business. On average, surveyed entrepreneurs with children perceived more barriers than those without children and were more likely to classify barriers as important (Net Importance Score

or NIS<sup>2</sup>), regardless of their gender or the stage of their business. Parents had an average NIS of 25, compared to -6 for non-parents.

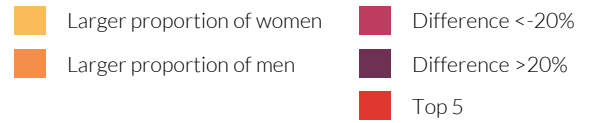
Views on the main barriers vary across different cities:

- ▶ London respondents generally perceive fewer barriers than those in other cities. The top barrier for female entrepreneurs is 'The state of my country's economy' (NIS of 13), followed by limited networks (NIS of 10). Limited networks also seem to be less important barrier for surveyed London men than men in other cities. Surveyed women without a degree perceive similar barriers to those with a degree, though less intensely. Their top barriers are lack of skills and limited network (both NIS of 4).
- ▶ Women entrepreneurs in Paris are more likely than those in other cities to see the country's economy as a major barrier (NIS of 38), together with limited networks (NIS of 37). Parisian women are more likely to cite lack of industry knowledge as a major concern than their London counterparts and are more concerned about their opportunity to build necessary skills (NIS of 22) than women in other cities. Women without a degree seem less worried about the state of the economy than those with a degree, but are more concerned that they lack necessary skills and knowledge.
- ▶ In Frankfurt/Berlin, female entrepreneurs also view limited networks as a key barrier (NIS of 33). They are far more likely than women in other cities to see securing funding as a barrier (NIS of 31), along with lack of industry knowledge (NIS of 29). Women business owners in Frankfurt/Berlin are noticeably more concerned about their opportunity to build necessary skills (NIS of 18) than male counterparts. As in other cities, women without a degree perceive fewer barriers to their business success; their top barrier is securing funding.

<sup>2</sup> Net Importance Score calculated as % of responses 'important' and 'extremely important' minus % of responses 'unimportant' and 'completely unimportant', then multiplied by 100 (based on NPS methodology).

Chart 5

## Women self-assess high on some relevant soft skills, but rate themselves lower than men on most



Question asked: In your opinion what kind of skills and knowledge are most important when it comes to building a successful business? Which of these skills and knowledge areas have you had experience with in your professional or personal life? /Please tell us how good you think you are at each of the following.

Skills ranked by perceived importance, % of responses [N = 611W and 607M ] <sup>1</sup>	Required skills		Experience in skills		Self-assessment in skills <sup>2</sup>	
	Women	Gap W/M <sup>2</sup>	Women	Gap W/M	Women	Gap W/M
Financial management	43	7	21	-7	45	-2
Self-confidence	42	14	40	4	46	-19
Marketing	31	3	18	-1	35	-7
Risk-taking	31	4	18	-10	34	-23
Building business plans and strategy	30	6	11	-18	37	-15
Communication and negotiation	30	23	31	13	52	-6
Sales and customer relationship	30	22	22	-5	49	1
Networking	30	13	21	-3	38	-15
Specific industry knowledge	29	6	21	-12	47	-9
Project management and planning	26	12	22	3	48	-9
Leadership	25	-3	25	-19	45	-13
Resilience	25	15	32	19	49	-8
Optimism	20	-3	32	4	56	-8
People management and HR	19	-2	18	-17	43	-7
Adaptability	19	-8	41	23	64	2
Digital/technology skills	18	-4	24	-9	48	-14
Delegation and time management	13	14	25	23	48	-2
Self-reflection	11	6	26	34	54	15

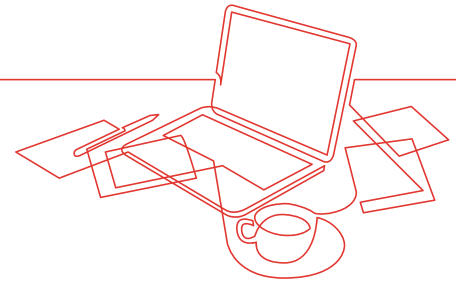
1 W: Women; M: Men. Proportion who say 'I am very good at it' or 'I am good at it'

2 Gap W/M = difference between women and men as a proportion of male respondents: % of female respondents - % of male respondents/% of male respondents. So, for example, if female responses = 10% and male responses = 12%, the gender gap is -2/12 = -17%.

SOURCE: McKinsey Consumer Survey (non-entrepreneur sample), January 2020; Learning The Art of Networking: A Critical Skill for Enhancing Social Capital and Career Success, Journal of Management Education 2008; An Experimental Assessment of Interventions for Improving Women's Professional Networking: Results from IT, SSRN 219

## Funding: a particular concern

Female and male entrepreneurs seem to experience different funding issues. Overall, 28 percent of surveyed women feel that they do not know where to find funding, compared to 20 percent of men, which may help explain the comparatively low number of women who approach banks or investors for start-up help in all cities, and the higher reliance of women business owners on personal savings to fund growth. Uncertainty about possible sources is the top funding concern for female entrepreneurs in London. Women also perceive a lack of trust in their knowledge and/or skills, seen as the top issue by women in Paris and Frankfurt/Berlin. Men most frequently believe that investors do not like their business ideas (48 percent of men versus 26 percent of women). Surveyed women entrepreneurs in all cities had most frequently used personal savings to finance their businesses – 47 percent of female business owners in London, 58 percent of those in Paris and 65 percent of those in Frankfurt/Berlin – and were slightly more likely to do so than men. Women entrepreneurs without degrees used similar funding sources to other women surveyed, though a lower proportion of less-advantaged Paris and Frankfurt/Berlin women had used personal savings.

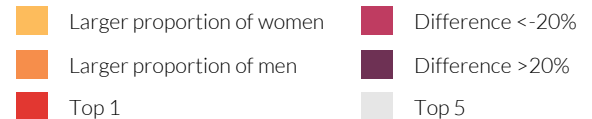


“ Lower-income and diverse founders typically lack generational capital and face bias from investors. ”

Incubator CEO

Chart 6

## Female and male entrepreneurs seem to experience different funding issues



Question asked: You mentioned that securing funding is a barrier to your business's success and development. What kind of issues are you experiencing with funding?

Skills ranked by perceived importance, % of responses [N = 611W and 607M] <sup>1</sup>	London (N = 54W, N = 44M)		Paris (N = 38W, N = 39M)		Frankfurt/Berlin (N = 41W, N = 31M)	
	Women	Gap W/M <sup>1</sup>	Women	Gap W/M	Women	Gap W/M
I have applied for funding but have been unsuccessful because investors don't trust my business knowledge/skills	22	-2	37	-45	37	467
I don't know where to find funding	33	47	26	28	24	51
I have applied for funding but have been unsuccessful because investors are not interested in my business ideas	22	-51	32	-44	24	-42
I don't have the confidence to apply for funding	22	-19	26	14	17	-52
Other	13	N/A	8	N/A	7	127

<sup>1</sup> Gap W/M = difference between women and men as a proportion of male respondents: % of female respondents - % of male respondents/% of male respondents



# The challenges women face in growing a business

Few entrepreneurs succeed in building a business with a turnover higher than €/**£1 million** – only 2 percent of all men in the UK, France and Germany. An even smaller proportion of female entrepreneurs (already fewer in number than men) scale their businesses to this level. The relative gender gap between women and men at this stage of the entrepreneurial journey is highest in the UK, where 79 percent fewer women entrepreneurs scale their businesses beyond €/**£1 million**. In Germany, 58 percent fewer women business owners scale to this level than men, while 19 percent fewer French women entrepreneurs achieve €/**£1 million** turnover than male peers (Chart 1).

When it comes to growing a business, enterprise size has a greater effect on perceptions than gender. Both female and male owners of scaled businesses perceive more barriers to their future success than the female and male owners of non-scaled businesses. Women owners with smaller businesses are more likely to mention limited professional networks and the state of the economy than their male equivalents. Female and male owners of larger businesses both see relevant knowledge and opportunities to build skills as their main barriers.

- ▶ In London, scaled and non-scaled businesses rate most barriers similarly and as less important than other cities. The most important barriers for non-scaled businesses are the national economy (NIS<sup>3</sup> of 16), and limited professional networks (NIS of 9).
- ▶ Owners of non-scaled businesses in Paris view limited networks as their top barrier (NIS of 12). Personal care responsibilities is a top five barrier for owners of both scaled and non-scaled businesses, and is a particularly strong concern for female owners of scaled businesses (NIS of 83).
- ▶ Unlike other cities, limited networks are only ranked fifth by owners of non-scaled businesses in Frankfurt/Berlin. Surveyed owners of scaled businesses most often mention lack of self-confidence.

## Funding for growth

The sources of funding used by scaled and non-scaled businesses do not appear to vary significantly. Personal savings are most frequently cited as a source of funding by owners in all cities, irrespective of business size. This reliance is potentially a greater barrier for lower-income women who will have fewer opportunities to build personal savings or to access family capital. Owners of smaller businesses are consistently more likely than owners of larger businesses to say they need no funding.

- ▶ Owners of scaled and non-scaled London businesses mention similar funding sources. A similar proportion of scaled and non-scaled businesses mention bank business loans (16 percent), but the proportion of scaled businesses using loans is lower in London than in other cities. Owners of smaller businesses perceive funding as easier than owners of larger businesses.
- ▶ In Paris, owners of scaled businesses mention external funding sources such as bank loans and start-up loans more often than large business owners in other cities. They are also more likely to partner with angel investors and VCs than elsewhere. Owners of smaller businesses view funding as slightly more difficult than those of larger enterprises, unlike in London.
- ▶ Scaled and non-scaled businesses in Frankfurt/Berlin cite similar funding sources, though larger businesses were more likely to have used bank business loans. Owners of smaller businesses viewed funding as slightly more difficult than owners of larger enterprises.

<sup>3</sup> Net Importance Score calculated as % of responses 'important' and 'extremely important' minus % of responses 'unimportant' and 'completely unimportant' and then multiplied by 100 (based on NPS methodology).

## Interventions to help businesses thrive and grow

When asked which interventions they would most value, owners of scaled businesses – both female and male – consistently value interventions to assist networking more highly than owners of smaller businesses (Chart 7). Scaled business owners also mention insurance support more frequently than owners of smaller enterprises. Owners of non-scaled businesses see tax benefits for early stage entrepreneurs and sick pay packages as most helpful, with female small business owners somewhat more likely to mention these options than male peers.

- ▶ In London, owners of non-scaled businesses view tax benefits and digital networks as potentially most helpful. Owners of scaled businesses would most value insurance support, followed by accessible training programmes.
- ▶ Surveyed owners of non-scaled businesses in Paris rate sick pay packages and tax benefits most highly. While owners of scaled businesses also value sick pay support, they value networking initiatives more (four of the five top initiatives).
- ▶ In Frankfurt/Berlin, the owners of non-scaled and scaled businesses agree on three top interventions: tax benefits, insurance support and digital networks. Smaller businesses also mention sick pay packages and public reporting more frequently.

“ I’d like an online platform to connect with other female entrepreneurs and talk openly about barriers, funding, problems, etc. ”

Female entrepreneur

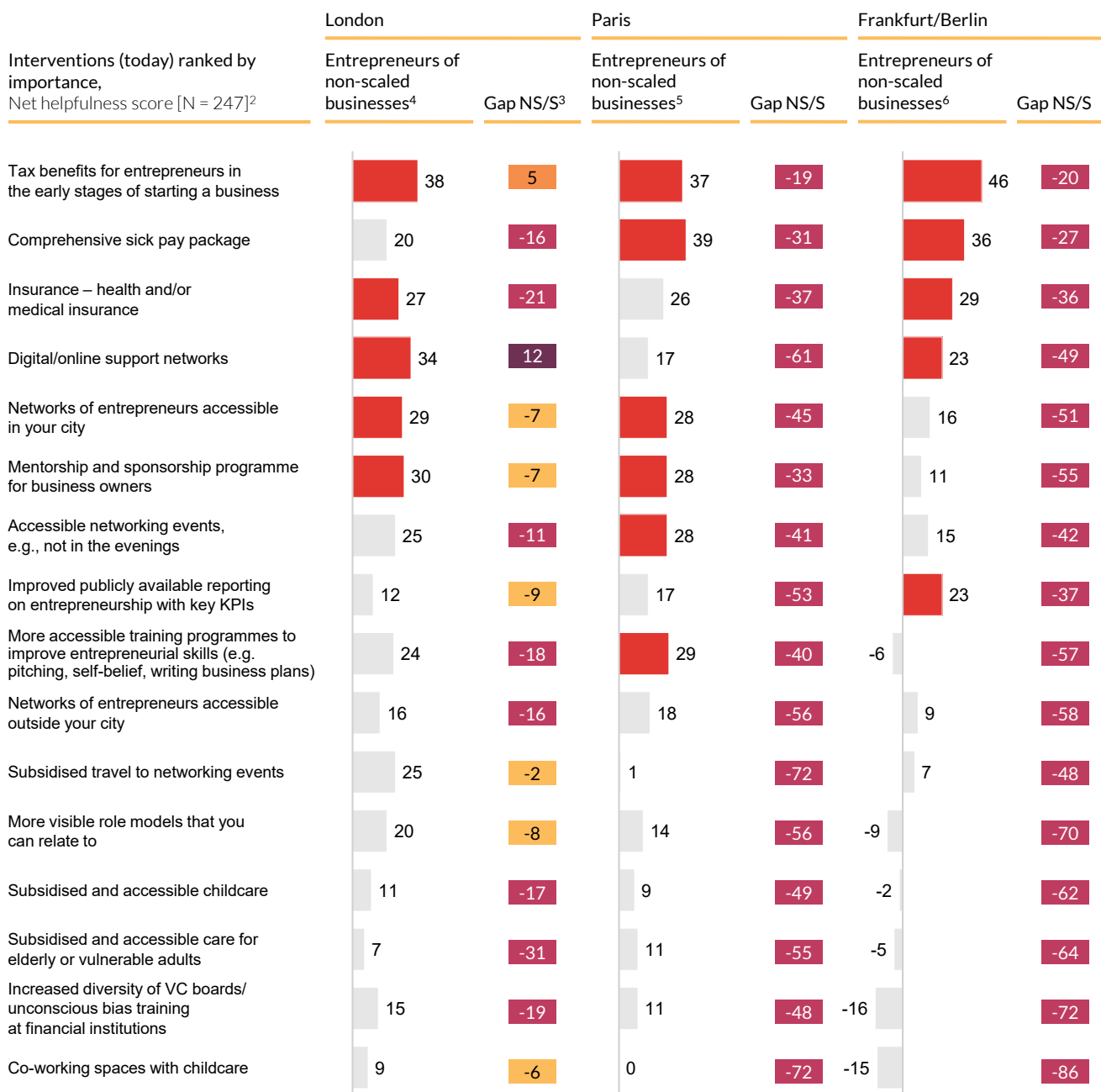


Chart 7

## When it comes to interventions, respondents who own scaled businesses mostly value interventions which address networking, regardless of their gender



Question asked: How helpful would each of these interventions be to you and your business if you were offered it today?<sup>1</sup>



1 Answer choices: 1: Completely unimportant; 2: Unimportant; 3: Somewhat unimportant; 4: Somewhat important; 5: Important; 6: Extremely important

2 Calculated as a % of responses 'helpful' and 'extremely helpful' minus % of responses 'unhelpful' and 'very unhelpful', multiplied by 100 (based on NPS methodology)

3 Gap NS/S = difference between non-scaled and scaled business responses as a proportion of scaled respondents: % of non-scaled respondents - % of scaled respondents / % of scaled respondents

4 [N = 135 with turnover <£/€ 1 mn, N = 38 with turnover >£/€ 1 mn]

5 [N = 68 with turnover <£/€ 1 mn, N = 49 with turnover >£/€ 1 mn]; 6 [N = 44 with turnover <£/€ 1 mn, N = 54 with turnover >£/€ 1 mn]

SOURCE: McKinsey Consumer Survey (entrepreneur sample), January 2020

# Initiatives to accelerate female entrepreneurship

Our research highlights the main barriers that hold women back from starting, sustaining or scaling businesses. While these barriers are consistent across the four cities surveyed, women's detailed concerns and experiences vary between cities.

The seven initiatives below represent a coordinated package of interventions which can be applied flexibly in each city and/or country to improve women's prospects of success at each step of the entrepreneurial journey. They draw on our survey insights; interviews with female entrepreneurs, women networks, incubators and investors; analysis of existing interventions in the three countries; and a review of successful practices in 'best-in-class' countries with higher ratios of female entrepreneurs, such as Canada, the Netherlands and the United States.

Less advantaged women are significantly less likely to become entrepreneurs and perceive more barriers to running a successful business. Initiatives of particular relevance for lower-income women, both actual and aspiring entrepreneurs, are highlighted by the numbers in **orange circles** below.

## 1. Create public awareness on gender bias and the value at stake

Every journey needs a destination. Greater awareness of the huge untapped economic value of female entrepreneurship – an additional €570 billion to €665 billion of value for the UK, France and German economies – will encourage policymakers to set goals to capture it. Increased awareness will also help build commitment to change, in the investment industry and beyond. Many of the barriers that women face are cultural and societal. It will take concerted action over many years, on multiple fronts, to fully overcome them. Higher levels of consensus and coordination now will increase the likelihood of sustained action – national and local, public and private – to create a comprehensive, integrated support ecosystem for female enterprise. The two strands of this initiative are to:

- ▶ Communicate widely on the value at stake to get commitment to change from key stakeholders such as governments, investors and influential individuals.
- ▶ Create awareness on gender bias among investors (VCs, banks, business angels) and get commitment to change.

## 2. Promote female entrepreneurship

Our surveys show that significantly fewer women than men even consider starting a business – just 26 percent of women compared to 34 percent of men, on average. Even fewer lower-income women contemplate entrepreneurship in all cities surveyed. Low numbers of female entrepreneurs and a lack of well-known female business role models help to perpetuate a lack of belief among women that they might take this path. Entrepreneurship must be promoted as an attractive career option for women at an early stage – for example in schools, an approach being tried in the UK and Germany. It is also important to widely publicise female entrepreneur role models widely, and show that women from a diverse range of backgrounds can run successful businesses. The key actions are therefore to:

- ▶ Promote entrepreneurship to young girls and encourage them to believe in their potential as entrepreneurs.
- ▶ Promote more – and more diverse – female entrepreneur role models that all women can identify with.

## 3 Foster sponsorship and mentorship for female entrepreneurs

Low confidence and lack of self-belief among would-be female entrepreneurs are recurring themes in the research – women score themselves lower than men on 15 out of 18 skills seen as essential to start a successful business, including their own top five. Women from lower-income backgrounds are even less likely to believe they have the skills and knowledge to start a business than other women. Uncertainty on how to secure business funding is also a bigger issue for women compared to men. Entrepreneurs with smaller businesses see structured mentorship and sponsorship programmes as one of the top five most helpful interventions. Our research suggests that these should be systematic, targeted to women and on a national scale. In Sweden, the government-backed Women's Entrepreneurship Ambassadors Programme encourages successful entrepreneurs to coach newer women business owners, with 82 percent of participants reporting a 30 percent increase in turnover as a result. Private sector initiatives include the Young Presidents' challenge in Canada and large scale industry-wide

mentoring schemes offered by Moving Ahead in the UK, including Women in Rail and Women in Defence. Mentorship programmes are also on offer in France for female entrepreneurs with later-stage businesses. All three countries should be aiming, nationally, to:

- ▶ Provide long-term and tailored mentorship opportunities and develop sponsorship programmes
- ▶ Implement quotas in entrepreneurship competitions, awards and distinctions.

“ Women need help on how to pitch to investors – how to market themselves, how to sell a vision. ”

Female entrepreneur

#### 4. Encourage investments in female-led businesses

Funding is a major barrier for female entrepreneurs. Almost one in three women say they do not know where to find start-up funding compared to one in five men, and only 1 to 2 percent of venture capital funding across the UK, France and Germany goes to female-led enterprises. Financial industry data shows that only 39 percent of women seeking a business loan receive information on interest rates, compared to 91 percent of men, and only 9 percent are offered a loan simulation compared to 35 percent of men<sup>4</sup>. At scale-up stage, male-dominance of the venture capital industry is one possible barrier: approximately 90 percent of business angels across Europe are men. Some initiatives are underway in all three countries to increase funding to female entrepreneurs, such as the UK government's Women in Innovation scheme and funding for women's rural enterprise; Femmes Business Angels and Créatrices d'Avenir in France, which help women connect with investors; and Goldrausch's microcredit scheme in Berlin. While dedicated schemes are an important way to direct support to women, the overriding challenge is to ensure that female entrepreneurs are as successful in accessing the full range of funding options as men. This may mean

providing women with additional support to improve their access to capital. In the UK, the Investing in Women Code is a commitment by the financial services sector to improve female entrepreneurs' access to tools, resources and finance. The aim in each country should be to:

- ▶ Encourage institutions and private investors to invest in women-led companies with legal and/or financial incentives.

#### 5 Create a one-stop shop for all entrepreneurs

While a wealth of information exists for aspiring entrepreneurs, it is often fragmented across many different platforms and sources. Our interviews suggest that entrepreneurs of both sexes are often confused by the volume and diversity of resources, and are unsure how to find the best advice or training for them. The aim should be to create a straightforward and comprehensive first stop shop in each country which coordinates (rather than supplements) existing information in one place for all entrepreneurs. This will help women in particular, who are less likely than men to know someone who can give them advice, and less likely to believe they have relevant skills and knowledge. Women are also particularly unsure where or how to find business funding compared to men. The initiative could be owned and hosted by government or by industry – for example, in Montreal, the Chamber of Commerce sponsors a website providing information on business planning, finance, taxes and human resource issues. This initiative should aim to:

- ▶ Structure training programmes on hard and soft skills for all types of businesses and all stages of the entrepreneurial journey.
- ▶ Gather all necessary information on a 'one-stop-FAQ' platform (e.g., administrative, legal, financial, grants and subventions).

<sup>4</sup> British Business Bank (UK VC & Female Founders report 2019); KPMG (Baromètre Starter 2019); Atomico (State Of D&I In European Tech); La Ville de Villeurbanne and ISM Corum (2017); Real Business (2018); Women Business Angels for Europe's Entrepreneurs (2018).

## 6 Facilitate networking

Networks are a powerful way for newer business owners to access advice from more experienced entrepreneurs. Limited professional networks is the barrier most frequently mentioned by women entrepreneurs in all four cities, while networking improvements are considered the most valuable intervention overall by owners of larger businesses, regardless of gender. Owners of smaller businesses pick accessible local networks as a top five intervention. For women, particularly lower-income women or those from different cultural and socio-economic backgrounds, networking can help them meet entrepreneurs who have faced similar issues and can relate to their needs and concerns. Approaches are likely to vary by city; for example funding may be a particular focus in London, where fewer women approach banks or investors. In Paris, women who did not study at a top business or engineering school may need particular support. Networking initiatives may be virtual – a key consideration given new COVID-19 constraints – or in-person events. The goal should be to:

- ▶ Create a platform to match potential co-founders.
- ▶ Facilitate networking in more intimate settings with a thoughtful selection of participants.

## 7 Introduce benefits for entrepreneurs

Entrepreneurs lack the safety nets of sick pay, holiday pay and other employee benefits, and typically have less access to state benefits such as tax credits or unemployment benefit. Both tax benefits and comprehensive sick pay packages feature highly in the list of most-valued interventions for all entrepreneurs. Female owners of larger businesses are particularly likely to see childcare as a strong concern, while care for elderly or vulnerable adults is a concern for both men and women, particularly in Paris and Frankfurt/Berlin. While recognizing that welfare policy is a complex and costly issue, we believe the potential economic value of increased female participation in entrepreneurship justifies additional action to:

- ▶ Develop further benefits for entrepreneurs (e.g., tax benefits, sick pay packages).
- ▶ Support entrepreneurs in the post-incubator phase (e.g., affordable co-working space).
- ▶ Support entrepreneurs in parenthood (e.g., authorisation to work part-time during maternity leave).

“Women are very cautious, reluctant to take on debt. Taking care of their children impacts their willingness to grow a business.”

Business accelerator mentor

# Conclusion

Female entrepreneurs could contribute an astonishing €570 billion to €665 billion of additional value – equivalent to an 8 to 9 percent increase in total economic output – for the economies of the UK, France and Germany, if women set up businesses at the same rate as men and generated an equivalent amount of value per business.

The overwhelming priority is to encourage more women to take the leap into entrepreneurship. The damaging impact of COVID-19 on economies worldwide will exacerbate many of the barriers women were already facing, highlighted in our findings, such as confidence in their ability to succeed; anxieties about tax, sickness and holidays; caring responsibilities for children or vulnerable adults; and access to information, start-up funding and growth capital.

Women entrepreneurs will also need more support and different forms of support to build their businesses, particularly lower-income women and those from diverse backgrounds.

There is now an urgent need to implement and accelerate the initiatives outlined above to increase the number of women launching businesses and to help them succeed. We urge governments and other stakeholders to join with us to help more women entrepreneurs realise their full potential.

If you would like to provide feedback, share your own experiences or play a part in advancing female entrepreneurship, please contact [simone.whitbread@moving-ahead.org](mailto:simone.whitbread@moving-ahead.org).



# Appendices

## Appendix 1: Contributors

We would like to thank the following people who generously contributed their time and expertise to inform and produce this report.

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## Appendix 2: Survey samples

Two complementary surveys were conducted to gather insights from female and male non-entrepreneurs and entrepreneurs, in all four cities of focus. In total, across both surveys, we surveyed 725 respondents in London, 628 respondents in Paris and 648 respondents in Frankfurt and Berlin.

### Survey 1: Non-entrepreneurs

Selection criteria: at least 18 years of age; residents of London, Paris (including suburbs) or Frankfurt/Berlin; do not own a business currently or in the past.

Total across all cities: 856 women, 740 men (low-income respondents: 359 women, 279 men)

London: 294 women, 247 men (low-income respondents: 122 women, 85 men)

Paris: 267 women, 241 men (low-income respondents: 132 women, 88 men)

Frankfurt and Berlin: 295 women (115 from Frankfurt, 180 from Berlin; 105 low-income women), 252 men (111 from Frankfurt, 141 from Berlin; 106 low-income men)

### Survey 2: Entrepreneurs

Selection criteria: at least 18 years of age; residents of London, Paris (including suburbs) or Frankfurt/Berlin; currently own a business. Owners of businesses at all stages were surveyed: early stage, 'in-progress' and scaled businesses. Education level rather than income was used to identify less advantaged women entrepreneurs.

Total across all cities: 218 women (62 without a university degree, 149 with a university degree, 7 not stated), 187 men

London: 103 women (23 without a university degree, 76 with a university degree, 4 not stated), 81 men

Paris: 60 women (21 without a university degree, 37 with a university degree, 2 not stated) 60 men

Frankfurt and Berlin: 55 women (6 from Frankfurt, 49 from Berlin; 18 without a university degree, 36 with a university degree, 1 not stated), 46 men (8 from Frankfurt, 38 from Berlin)





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