Women Owned Businesses:
An Economic Growth Opportunity for Wisconsin?

The surge of women entrepreneurs and business owners in recent decades, coupled with the increasing number of women in management, has changed the gender composition of business leaders in the U.S. Women-led businesses have grown in number, market presence, and economic importance. In Wisconsin, the number of self-identified woman-owned or managed businesses more than tripled between 1990 and 2011. As of 2011, women owned or managed over 80,000 businesses, employed over 550,000 workers, and earned $45 B in sales.

Despite the growth, the share of women-owned business is still relatively small. Women comprise roughly half of the labor force, yet own than less one-third of firms in the U.S. According to estimates from the National Establishment Times Series (NETS), 19% of businesses in Wisconsin were woman-owned or managed in 2011.

The lack of woman-owned business is conspicuous as research suggests that women are valuable to businesses. As reported by their peers, women are more effective than men in leadership positions. Having a female CFO and a gender-diverse board of executives coincides with more honest financial decision-making. Businesses with women on their boards outperform peer companies with all male boards in share price performance and return on sales. Further, companies with more gender diversity have more customers, increased sales revenue, and greater profits relative to similar businesses.

The differences in scale or size of the business are largely explained by the industrial concentration of men and women—men tend to be in capital-intensive industries (e.g., manufacturing) with large firms whereas women tend to be in industries where businesses have few assets and few employees. Women own businesses in service sectors such as health care, education, and retail whereas men own businesses in manufacturing and construction. The same is true for Wisconsin: women are concentrated in healthcare, education, and other services. Simply by implication of their chosen industry, women business owners may earn lower sales and employ fewer workers. Yet even within these sectors (that already feature lower average sales and employment), women-owned businesses are still smaller than their counterparts with other forms of leadership (e.g., male-owned or coed partnership owned).
Development policies aimed at enhancing business ownership must consider how the characteristics, choices, and constraints of women business ownership relate to the disparity in ownership and performance. There is some evidence that the small share and lower performance of women-owned businesses is a reflection of women having different personal and professional goals. Yet if the rarity of women-entrepreneurs and smaller size of their businesses is not entirely a result of female preferences, women may represent a source of unrealized economic gains. Differences in types of education and access to capital do seem to partly explain the differences in performance between male and female-owned businesses, suggesting that the gender disparities are at least somewhat a result of obstacles for women entrepreneurs. Potentially, these constraints on women entrepreneurship can be alleviated through policy and lead to more businesses with greater growth potential.

There are a range of entrepreneurship and small business development and support programs offered across Wisconsin. These include programs offered by the Small Business Administration, Small Business Development Centers through the University of Wisconsin-Extension, a range of programs offered by the Wisconsin Technical College System and a variety of programs offered by the State of Wisconsin including but not limited to the Wisconsin Economic Development Corporation. The challenge is if the educational and counseling programs that are offered address the issues specific to women entrepreneurs, business owners, and managers. If programs are designed with the philosophy that one size fits all, then important economic development opportunities are missed.

There is also women business owner support networks, such as the Wisconsin Women’s Business Initiative Corporation (https://www.wwbic.com/) and the Women’s Council Wisconsin (http://womenscouncil.wi.gov/), that can provide services specifically aimed at the needs of women-owned and managed businesses.

For a more detailed discussion of WOM businesses in Wisconsin see the technical and policy reports by Conroy and Deller available at http://wp.aae.wisc.edu/thewisconsineconomy/

In addition to additional data analysis and policy discussions there are additional reading resources available.

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Data Description: The National Establishment Time Series (NETS) is a database of U.S. establishments continually updated by Dun & Bradstreet (D&B) in partnership with Walls & Associates. The University of Wisconsin Center for Cooperatives has access to data on U.S. business establishments and their parent establishments from 1990 through 2011, the most recent year available.