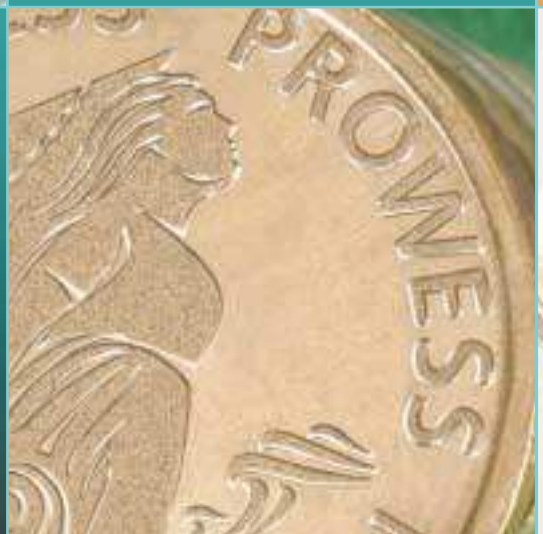
Show us THE MONEY

the state of women's enterprise support 2004



PROWESS is the UK-wide advocacy association which supports the growth of women's business ownership through the development of an effective women-friendly business support infrastructure and enterprise culture.

PROWESS also:

- Lobby to create a policy environment and opportunities which support the development of women's enterprise
- Provide capacity building support and training
- Create opportunities to share best practice and learn about new approaches
- Promote and raise awareness of women's enterprise and the organisations that support this key area of economic growth
- Put women in touch with women-friendly business support in their area through our website www.prowess.org.uk

This report was funded by the
European Social Fund under the Equal Community Initiative Programme.

PROWESS is supported by:
The DTI Small Business Service
NatWest and **The Royal Bank of Scotland**

Acknowledgements

Jane Oliver conducted the surveys and statistical analysis which this report is based on. Erika Watson edited the report with contributions from Kiki Maurey, Saskia Kent and Tricia Dinan.

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First published in Great Britain in 2004

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PROMOTING WOMEN'S ENTERPRISE SUPPORT

Introduction

In May 2003 the UK Government launched its Strategic Framework for Women's Enterprise, with an ambitious long-term vision " to create an environment and culture that encourages more women to start and grow businesses, and where every woman with the desire to start or grow a business has access to appropriate help and support."

The Framework was developed by the Department of Trade & Industry's (DTI) Small Business Service, in collaboration with PROWESS and several other Government departments and the devolved administrations of Scotland, Wales and Northern Ireland.

PROWESS is the national advocacy network for women's enterprise, with over 150 members, 92 of which are providers of business support committed to improving their services for women. Launched in October 2002, PROWESS advocates equality in access to enterprise support and development. Its vision builds on the findings of several reports which find that the increased participation of women in entrepreneurship is critical for the strength of the UK economy (1).

A year on from the launch of the Framework, PROWESS has carried out this survey to check the financial health of the sector and its ability to deliver the objectives of the Strategic Framework.

Methodology: A three-page self-administered survey was designed, piloted, and then emailed to members in February, 2004. The majority of questions were multiple choice tick-box and closed questions. This was a deliberate design to lessen the demand on members' time, and to quantify sectoral characteristics. The final survey question was open-ended. Responses were recorded using the Statistical Package for Social Sciences (SPSS) software. Frequencies, means and medians were calculated and charts constructed to illustrate much of the data. The questionnaire was sent to the 85 organisations which were members at that time. 36 completed and returned the questionnaire – a 42% response rate. Not all respondents answered all questions.

Executive Summary

PROWESS members help over 100,000 women to start or grow businesses every year. This results in around 10,000 new business starts.

This report shows that the women's enterprise support sector in the UK:

- is well established with most member organisations established for 5 - 20 years.
- is primarily in the independent, not-for-profit sector and includes significant numbers of Business Links, women's enterprise support organisations and Enterprise Agencies.
- has a diverse funding base, with members raising funds from a number of different public and other income sources.
- is dominated by organisations which deliver business support locally or region-wide.
- is dependent on short-term contracts and project funding for women-friendly business support.

The title of this report, Show us the Money, reflects a very real sense of concern in the sector. The Strategic Framework for Women's Enterprise is universally welcomed by PROWESS members, but one year on it has clearly not translated into a coherent funding strategy at national, regional or local level. Ironically, of all the organisations surveyed, it is the PROWESS Flagship members who feel the least secure about their funding base. Flagship organisations have met the PROWESS standard for best practice in the delivery of women's enterprise support services (2). While Flagships appear to have benefited in the short-term from the increased policy focus on women's enterprise development, our analysis suggests that they have little confidence that this policy focus is being progressed by funders. Business Links emerge as the only type of organisation which feels adequately secure about its funding base. Across the Business Link network only 20% of clients are women, while those Business Links which are PROWESS members have managed to increase that figure to

32%, often through additional and short-term funded, targeted women's initiatives.

The prognosis does not look good in terms of the current range of funding which the sector depends upon. The majority of sector funding is from public sources, in the form of contracts and service level agreements for agreed delivery targets. The primary sources come from: European Structural Funds (ESF and ERDF), DTI Phoenix Development Fund, local authorities and Regional Development Agencies (RDAs). European structural funding is under review from 2006 and different priorities are likely to emerge due to the addition of new member states. Local authority funding provides relatively secure core funding where it exists, but local authority support for enterprise development has declined in recent years and is unlikely to increase. The Phoenix Development Fund (PDF) has reduced its commitments from **93 to 26** projects in 2004 and is due to end in 2006, though its priorities should be taken forward by the RDAs.

With the concurrent consolidation of other regeneration funding schemes into RDA single pots, the RDAs are gaining a huge responsibility to deliver the Strategic Framework for Women's Enterprise. While the vast majority of Business Links are able to rely on RDA funding for mainstream business support, few RDAs have strategies for targeted women's enterprise provision and very few women's enterprise organisations are supported by their RDAs.

The sector is entrepreneurial in its approach to raising income with all types of organisations bringing in significant and growing amounts of private sector income. There is a reasonably high level of confidence about the security of these income sources and members are keen to broaden their earned income portfolio. But members are clear that while private sector income is growing, it will never be enough to meet the increasing demands for their services from women wishing to start and grow businesses.

The Strategic Framework for Women's Enterprise has fuelled an enthusiastic and committed sector. This survey suggests that this commitment is not yet being matched by a coherent funding strategy from Government and the RDAs.

Recommendations

- **The Strategic Framework for Women's Enterprise needs to be supported by a coherent and long-term funding strategy from Government and the RDAs.** Without such a strategy the sector faces an imminent funding crisis. Organisations which meet the PROWESS Flagship standard for best practice in women's enterprise development, currently feel extremely insecure about their future funding prospects. It is highly likely that a significant proportion of those best practice providers will disappear in the next couple of years unless action is taken soon.
- **Business Links need to incorporate targeted women's enterprise support within their core services.** PROWESS Business Link members committed to improving their service for women are currently dependent on short-term, project funding sources for their women's enterprise programmes. They are succeeding in increasing the number of women using their services. For other Business Links, the proportion of clients who are women is just 20%.
- **A national network of targeted Women's Business Centres (WBCs).** The provision of women's enterprise support is currently extremely patchy and funded in a largely short-term and unsustainable manner. There is a need for a securely funded network of WBCs to work alongside the Business Link network. This will require policy commitment and resources. With sufficient political will, it could be achieved by the effective re-prioritisation of existing resources.
- **Improved engagement with Trusts and Foundations.** Only 2% of sector funding currently comes from charitable sources. Business advice and self-employment support for unemployed people or in the context of rural and urban regeneration are now acceptable charitable objects. If those objectives are at the heart of their activities, members could consider applying for charitable status. Alternatively some Trusts will support non-charitable but non-profit distributing organisations developing initiatives in this area.

- **An increased role for the SBS and PROWESS in educating and informing funders.** It is clear from this research that the SBS Women's Enterprise Unit, in partnership with PROWESS, continues to have a key role in promoting the economic case for women's enterprise development and the importance of women's business ownership for productivity and economic growth.

The Impact of PROWESS Members

PROWESS has over 150 members, of which 82 are business support providers and 10 are women's business networks.

Each year these members

- Provide business advice and information to almost a quarter of a million people, 42% of whom are women.
- Support the launch of 25,000 new businesses, 39% of which are women-owned.
- Provide business networking events and opportunities to 40,000 people, 83% of whom are women.
- Provide business development training and support to 70,000 businesses, 35% of which are women-owned.
- Directly support 18,000 people into jobs or further training, 42% of whom are women.
- Provide over 5,000 business loans, 32% to women – delivered by 14 members.
- Issue 4,500 grants, 27% to women – delivered by 16 members.

Over 80% of members keep a record of how many of their clients are women. 23% of PROWESS members collect and/or supply figures for disadvantaged groups, such as lone parents, people with disabilities and Black and Minority Ethnic (BME) groups. The most commonly collected disaggregated figure is for BME groups. Many organisations, when asked this question, say they do not collect this information about their clients because their funders do not request it. Others feel asking questions about disadvantage is too sensitive.

The majority of PROWESS members who deliver business support services do so as part of a mainstream service; 26% deliver services targeted specifically at women.

PROWESS members have an average annual income of £1,813,623. The median is £242,500. The total annual income of the 34% who responded to the 'Show us the Money' survey is £58 million. It is not clear how much of this income is dedicated to women's enterprise support.

The 10,000 new women-owned businesses started with support from PROWESS members will have a combined average business turnovers of £1.5 billion during their first year in business (2).

Sector profile

Maturity

The age range of organisations in the sector spans 135 years, with the oldest founded in 1867 and the most recent in 2003. The majority of organisations were founded in the 1990s (44%), a quarter were founded in the 1980s, and one fifth have been founded since 2000.

Sector

The majority of PROWESS members providing business support services define themselves as independent and not-for-profit (69%). The others are split nearly evenly between the public (17%) and private sectors (14%).

Business Link franchisees are spread across the 3 sectors.

Delivery focus

Half of PROWESS members provide services on a local or sub-regional level, with 40% delivering region-wide. 10% deliver on a multi-regional or national level

Regional / national spread of membership

This study focuses on the 92 PROWESS members who provide business support services or networking. They are located as follows:

Table 1: Regional / national spread of membership

Region / Nation	PROWESS members delivering business support
North West	17
London	15
Yorkshire & Humberside	10
East Midlands	9
East of England	9
South East England	9
South West England	7
West Midlands	7
North East	4
Scotland	2
Northern Ireland	2
Wales	1

PROWESS members are concentrated in the English regions, with very few in the devolved administrations. This reflects both: the seed funding PROWESS itself received during this period, which was aimed at building capacity in the English regions; and the different models of business support and partnerships in the devolved administrations.

Income sources

78% of sector income comes from public sources. 21% is commercial or other income and 2% is from charitable sources.

The most significant source of public funding for the sector are the European Structural Funds (ESF and ERDF), Local Authorities, RDAs and the Phoenix Development Fund. The percentage of members accessing the main funding souces is outlined below:

Table 2: Sources of public funding

Sources of public funding	% of members accessing
ESF/ ERDF	73.5
Local Authorities (councils)	50.0
Regional Development Agencies (RDAs)	44.1
Phoenix Development Fund	41.2
Learning & Skills Council (LSC)	35.3
Business Link contract	32.4
Small Business Service (SBS)	26.5
Single Regeneration Budget (SRB)	29.4
IAG partnership	8.8
Higher and Further Education contracts	5.9
Department for Work & Pensions (DWP)	5.9
Other	11.8

Imminent changes to the most significant funding sources is due to have a profound effect on the sector. The future of European structural funding (ESF/ERDF) is currently unclear. The structural funds are under review from 2006 and different priorities are likely to emerge due to the addition of new member states. The Phoenix Development Fund (PDF) has reduced its commitments from 93 to 26 projects in 2004 and is due to end in 2006, though its priorities should be taken forward by the RDAs. Similarly SRB programmes will end with those priorities also being taken forward by the RDAs.

Local Authority funding often provides relatively secure core funding where it exists, but local authority support for enterprise development has declined in recent years and is unlikely to increase. There may be scope for the sector to further develop some of the smaller funding streams such as IAG partnerships and Higher and Further Education contracts.

The sector is entrepreneurial with over 70% of members bringing in commercial income and 18% relying on private sector sponsorship. A more worrying trend is the 15% who are drawing on assets or reserves to fund current revenues. Only one member is funding provision through loan finance and another one has received a legacy.
Other significant sources of income include members, in-kind or pro-bono assistance and secondments.

The very small amount of charitable funding going into the sector includes 2 grants from the Community Fund (National Lottery) and 3 from other trusts and foundations.

Dealing with change

Members have the following strategies for dealing with future changes to their funding:

- Increase earned income 80%
- Asset based developed 30%
- Reduce the size of the organization (downsize) 20%
- Develop internal fund-raising skills 13%
- Cut non-core programmes 12%
- Take advice 9%

In addition, two organisations, both women's business networks, are considering closure as a likely strategy. Those organisations which are considering downsizing are mostly PROWESS Flagship organisations. Flagships have developed the most appropriate level of service for women-business owners and all report high and growing levels of demand for their services. Flagships also work in partnership and add considerable value to mainstream business support providers in their area: reduction of Flagship services is likely to have a considerably detrimental impact on the sector as a whole and its ability to meet the needs of women-business owners.

No PROWESS members are currently prepared to consider hiring a fundraiser or outsourcing fundraising or bid writing. This may be a consequence of funding contracts which do not allow investment in fundraising and also do not enable organisations to recoup a surplus to invest in organisational development. However, 70% of members already bring in some commercial income and this is identified as an area for further development. Increased commercial income should enable the sector to increasingly develop plans for organisational development.

Comparisons by Organisation Type

Organisations were categorised into 1 of 5 main categories: Business Link, Enterprise Agency, women's enterprise organisation, women's business network and PROWESS Flagship member. Unfortunately, 5 organisations were left out of this analysis as they did not self-select one of these 5 main categories.

The most numerous respondents were women's enterprise organisations (10), followed by 9 Business Links, 7 Enterprise Agencies and 3 women's business networks. PROWESS Flagship organisations are found in most of those categories and the 7 Flagships included in the survey were also drawn out into a separate category. Flagships are accredited by PROWESS as providing best practice women-friendly business support and it was felt important to review their current situation against other types of organisation.

Maturity

Enterprise Agencies are the longest established group (20 years) with PROWESS Flagship members averaging 15 years old. Business Link franschisees are on average 9 years old and women's enterprise organisations 8 years old. Women's business networks are the youngest, with an average age of 5 years.

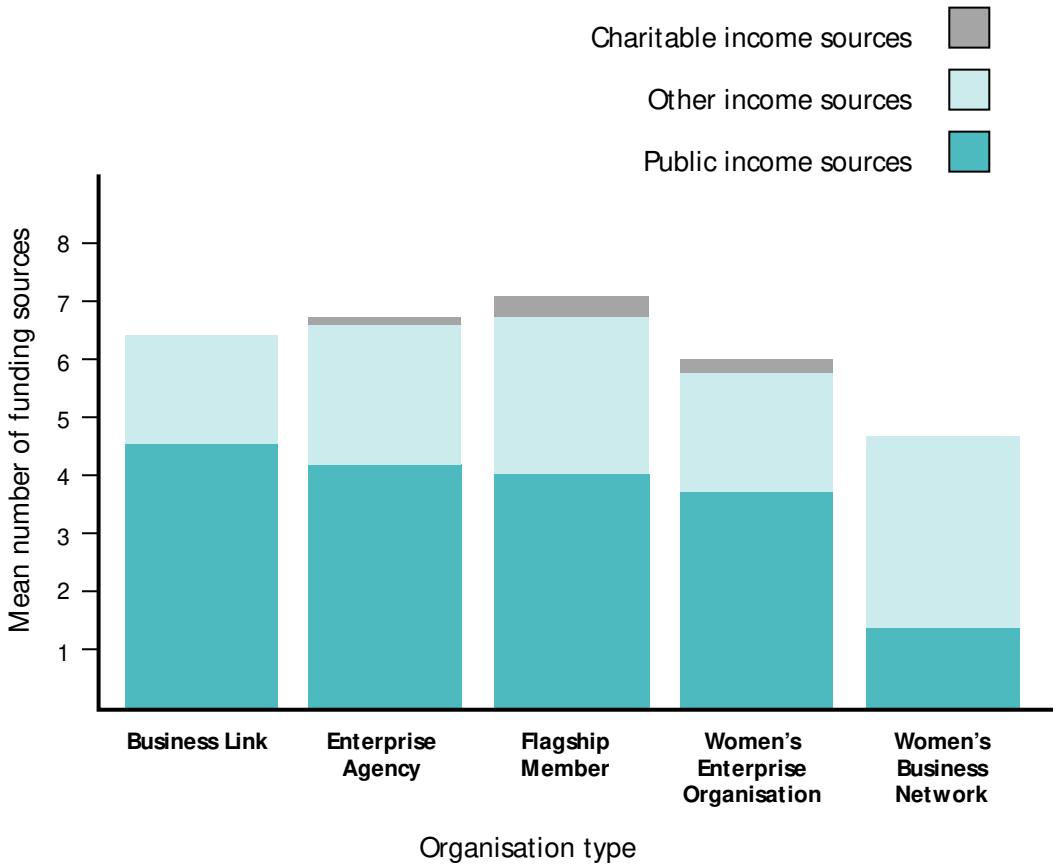
Annual Income

Business Links have the highest annual income of £4 million, with PROWESS Flagship organisations bringing in £450,000 a year. Enterprise Agencies have a median income of £200,000 and women's enterprise organisations and women's business networks have an income of £100,000 and £120,000 respectively.

Funding Diversity

PROWESS Flagship members and Enterprise Agencies have the most diverse funding bases, each accessing on average 7 different sources of funding. Women's business networks have the least diverse funding base: but the greatest number of private income sources. Business Links have the highest number of public funding sources and the lowest number of private income sources.

Chart 1: **Funding Diversity**



Regional Development Agencies (RDAs)

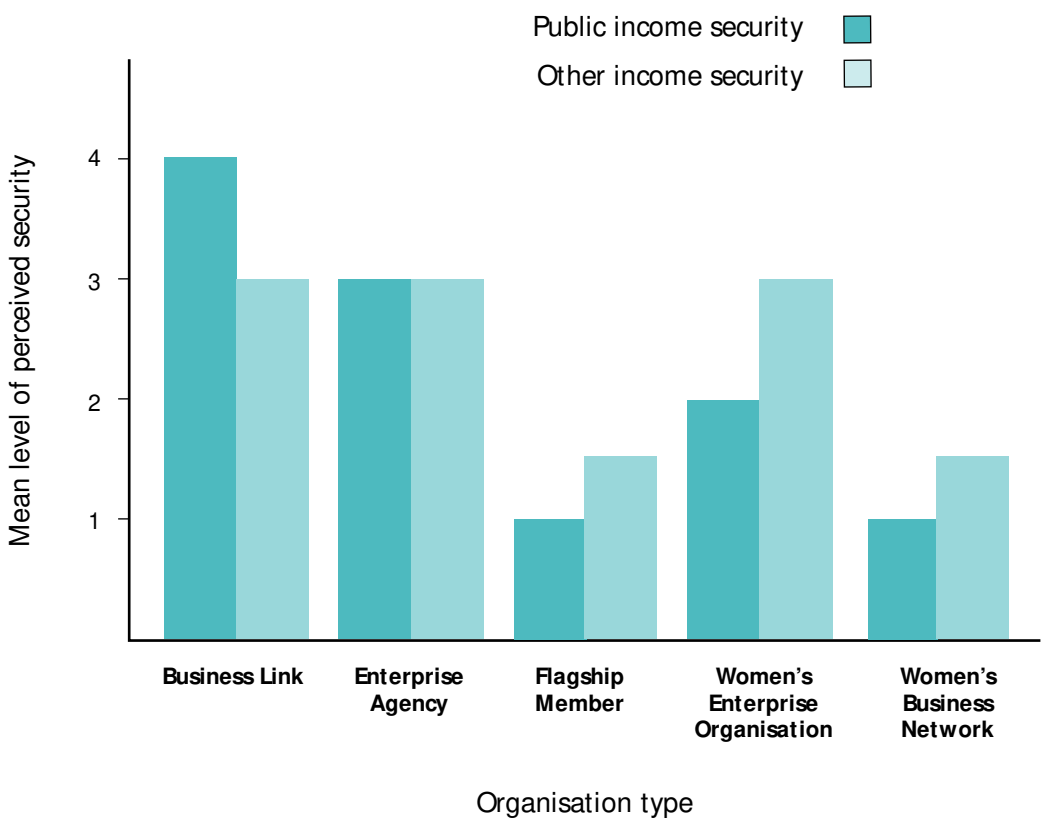
RDAs are increasingly taking over responsibility for funding enterprise and regeneration initiatives in their areas. The majority of Business Links (88%) receive support from RDAs, compared to 57% of Enterprise Agencies and 43% of Flagship members. Only 20% of women's enterprise organisations and one of the three women's business networks in the survey receive RDA support.

Funding Security

Organisations were asked to rate how secure they felt about future funding on a scale of 1 (very insecure) to 5 (very secure). This question threw into light the very sharp differences in expectations between the different types of organisations. Business Links feel fairly confident about future public funding, with a score of 4/5, in contrast to PROWESS Flagship members whose level of security is just 1/5. Business Links and Flagship members score 3/5 and 1.5/5 respectively in terms of the security of other income sources. Businesss Links have the highest level of security about their income overall. They are also the only organisation type that feels more secure about public income sources than its other income source.

Enterprise Agencies feel quite secure with a 3/5 score for both public and other income. Women's enterprise organisations score 2/5 for public funds and 3/5 for other income. Women's business networks receive little public income and what they do receive is perceived as unreliable (scoring 1/5); their other income appears to be similarly precarious with a 1.5/5 score. It is notable that all women targeted organisations feel slightly more secure about their private income than their public funds, even when public funds form the majority of their income.

Chart 2: **Funding Security**



Profiles by organisation type

Business Links

The average Business Link is reasonably well established (9 years) with a large and fairly secure income base of £4 million. The majority of income is from public sources, however BLs have been able to develop a good level of non-public income.

Enterprise Agencies

Enterprise Agency members are very well established (20 years) and have learnt over the years to develop highly diversified funding bases and to keep their turnover to a relatively low and fairly manageable level (£200,000 pa).

PROWESS Flagship members

Flagships are well established organisations (15 years), which paradoxically at present appear to feel extremely insecure about their funding base. Few Flagships have any core income and they have, over the years, developed highly diversified funding bases. They have also benefited recently from an increased policy focus on women's enterprise development. The average Flagship has an income of £450,000. This analysis suggests that Flagship organisations have little confidence that this increased policy focus will be sustained.

Women's Enterprise organisations

Small organisations with highly diversified funding bases, these organisations are more secure about their non-public income and quite insecure about public income. They are on average 8 years old.

Women's Business Networks

These networks are small organisations who rely more on commercial income than on public income. Women's business networks have an extremely precarious income base and apparently short lifespan (with 5 years average age).

Comments

Members were asked to elaborate on funding issues in the sector. 53% of members responded, anywhere from a single sentence to five paragraphs! The comments have a remarkable consistency, giving a picture of women's enterprise support being funded through short-term marginal funding sources and all the frustrations which that entails.

Marginal funding sources

Business Link and Enterprise Agency personnel committed to meeting the needs of women clients, within mainstream organisations, are frustrated that women's enterprise activity invariably has to be funded through marginal sources:

"All of our current support for women's enterprise creation is funded from non-core streams. If the targets in the Women's Strategic Framework are to be achieved it is equivalent to us doubling our activity on enterprise creation and related support. This cannot be achieved without investment through core funding."

A Business Link

"We are reliant upon core funding from our RDA. This is reducing but we are attempting to source additional funding from the SSP (sub-regional strategic partnership). Although this is looking more promising, women's issues do not appear to be high on the SSP agenda."

A Business Link

"Our Business Link is inconsistent in their commitment to funding our women's enterprise project. This service has become critical to our support for women and we are determined to continue, so if further funding is not forthcoming, we will have to reduce start-up grants offered."

An Enterprise Agency.

Organisations focusing exclusively on women's enterprise support appear to be wholly dependent on such marginal funding. This section includes many PROWESS Flagship members and their comments suggest that this sector is currently at crisis point.

"Dependency on time limited project funding makes long term planning difficult; disrupts cashflow planning due to retrospective payments; limits flexibility in project development; puts pressure on overhead costs; restricts ability to build up reserves and limits ability to respond quickly to new opportunities and new ideas. The more funders you have the greater the pressure there is on the organisation to manage complex funding packages and monitor reporting."

A Flagship member

"Public contracts payment based upon defrayed expenditure causes cash flow impacts. Public sector contracts should be three years reviewed annually to ensure continuity of staffing, maximisation of management time and therefore will support service quality."

A Flagship member

Funders' priorities

The intensive support provided by many Flagship members means that they have difficulties accessing even the unsatisfactory project funding which is available:

"Our women-focused service is considered poor value for money and scores poorly in comparison to mainstream providers to ESF/ERDF in terms of outcomes and outputs."

A Flagship member

"We work with 'hard to reach' clients, therefore quick access to self-employment is not on the agenda – need to evidence 'softer' outcomes and their lack of popularity amongst funders."

A Flagship member

"Demand for our services continues to increase daily. We have waiting lists in all regions we serve. However, like many others, we are currently in a funding crisis and as a result will be forced to take extreme measures to significantly reduce our overhead costs, resulting in staff redundancies, rather than recruiting additional staff to cope with service demand."

A Flagship member

The Strategic Framework for Women's Enterprise

The Framework is welcomed by the sector, however there is broad frustration that it is not being supported by dedicated resources, summed up clearly by this quote:

"Strategic Framework – although demonstrating an understanding of the issues in women's enterprise, does not stand a chance of leading to similar success as we have seen in the US, unless the Government is prepared to put some serious financial commitment behind it.

A women's business network

Conclusions

The women's enterprise support sector has grown to almost 100 organisations committed to increasing the levels of support for women considering self-employment and business start-up in addition to those already trading. Together those organisations are succeeding in making a significant impact: supporting 100,000 women and starting 10,000 businesses each year.

Business start-ups, or self-employment, are key to employment and productive growth in the regions, but comparisons with similar economies shows their numbers are still quite low. Around 30% of all US businesses are majority female owned compared to less than half that proportion in the UK. If the English regions matched the growth achieved by Canada in the 1990s we would have almost 400,000 more self-employed women in the next ten years.

The women's enterprise support sector has an important and potentially achievable job to do.

But, while the Strategic Framework for Women's Enterprise has set the object of significantly increasing the numbers of women starting and growing businesses in the UK, its delivery is being hampered by a short-term and short-sighted funding infrastructure.

Across both mainstream and targeted business support provision for women, funding streams are additional and short-term. To meet their objectives, business support providers are having to juggle multiple sources of funding with often complex and contradictory requirements. Those providers meeting PROWESS's rigorous quality standard – our Flagship members – are simultaneously trying to meet the growing demand for their services from women while juggling the most complex funding portfolios. They recognise that this is an unsustainable position and many of them are considering downsizing. As well as the services they deliver directly, Flagships add considerable value to mainstream business support providers in their area: reduction of Flagship services is likely to have a hugely detrimental impact on the sector as a whole and its ability to meet the needs of women-business owners.

The opportunity to network with other women in the same position is acknowledged as particularly important for women developing businesses. But our women's business networks are the least secure of all PROWESS members: the majority surveyed are considering closure.

Many of the funding sources currently available will soon be absorbed into Regional Development Agency 'single pots'. This may assist the sector considerably by reducing the administrative burden of managing multiple funding streams. However, PROWESS research with RDAs and key players in the regions finds that the overwhelming majority consider that most RDAs have neither the knowledge and understanding, nor the determination to commit the resources to women's enterprise development that are needed. RDAs are undoubtedly serious about business and enterprise, but women's enterprise remains largely on the periphery.

The DTIs Small Business Service will continue to have a leading role across government in the development of small business policy and strategy. The SBS Women's Enterprise Unit has led on the implementation of the Strategic Framework for Women's Enterprise and the principles of the Framework have been incorporated in government small business policy (4). It is clear from this research that the SBS, in partnership with PROWESS, continues to have a key role in promoting the economic case for women's enterprise development and the importance of women's business ownership for productivity and economic growth.

Notes:

1. Harding, R. Global Entrepreneurship Monitor, London Business School 2003.

2. Flagship members have achieved the PROWESS Flagship Award standard for best practice in women's enterprise development. Flagship organisations have been assessed and verified against 14 core criteria covering inclusion, quality, equality and client focus. Flagship members provide established, locally-based business support to a significant number of women in the area they serve. Their services are free or affordable, are easy to get to and they can help with childcare and disability or language barriers. Either directly or in partnership Flagships provide business training, training to help build personal skills and confidence, help accessing business finance and ICT training. They also provide opportunities for networking or mutual support with other women running their own business and the option of women-only training or access to a female business advisor.

3. Annual Small Business Survey, SBS 2004.

4. A Government Action Plan for Small Business, DTI/HMT 2004.

Other PROWESS initiatives to boost women's enterprise

www.prowess.org.uk

The PROWESS website is the UK Wide Gateway to local women-friendly business support.

Log on for:

- **Details of women friendly business support providers across the UK – use our clickable map to find the services most appropriate for you.**
- **The latest Women's Enterprise UK News**
- **Information on how PROWESS influences policy at regional, national and international level**
- **PROWESS publications and all the latest research on women in enterprise**
- **Inspirational case studies of women business owners**
- **The newest edition of PROFILE: The Journal of women's enterprise**
- **A regional break down of business support events taking place across the country**

The PROWESS website promotes, supports and celebrates women's enterprise

PROWESS is a member of the Accelerating Women's Enterprise (AWE)
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Design: Richard Johnson Printed by Keely Print

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- is dominated by organisations which deliver business support locally or region-wide.
- is dependent on short-term contracts and project funding for women-friendly business support.

The title of this report, *Show us the Money,* reflects a very real sense of concern in the sector. The Strategic Framework for Women's Enterprise is universally welcomed by PROWESS members, but one year on it has clearly not translated into a coherent funding strategy at national, regional or local level. Ironically, of all the organisations surveyed, it is the PROWESS Flagship members who feel the least secure about their funding base. Flagship organisations have met the PROWESS standard for best practice in the delivery of women's enterprise support services (2). While Flagships appear to have benefited in the short-term from the increased policy focus on women's enterprise development, our analysis suggests that they have little confidence that this policy focus is being progressed by funders. Business Links emerge as the only type of organisation which feels adequately secure about its funding base. Across the Business Link network only 20% of clients are women, while those Business Links which are PROWESS members have managed to increase that figure to

32%, often through additional and short-term funded, targeted women's initiatives.

The prognosis does not look good in terms of the current range of funding which the sector depends upon. The majority of sector funding is from public sources, in the form of contracts and service level agreements for agreed delivery targets. The primary sources come from: European Structural Funds (ESF and ERDF), DTI Phoenix Development Fund, local authorities and Regional Development Agencies (RDAs). European structural funding is under review from 2006 and different priorities are likely to emerge due to the addition of new member states. Local authority funding provides relatively secure core funding where it exists, but local authority support for enterprise development has declined in recent years and is unlikely to increase. The Phoenix Development Fund (PDF) has reduced its commitments from **93 to 26** projects in 2004 and is due to end in 2006, though its priorities should be taken forward by the RDAs.

With the concurrent consolidation of other regeneration funding schemes into RDA single pots, the RDAs are gaining a huge responsibility to deliver the Strategic Framework for Women's Enterprise. While the vast majority of Business Links are able to rely on RDA funding for mainstream business support, few RDAs have strategies for targeted women's enterprise provision and very few women's enterprise organisations are supported by their RDAs.

The sector is entrepreneurial in its approach to raising income with all types of organisations bringing in significant and growing amounts of private sector income. There is a reasonably high level of confidence about the security of these income sources and members are keen to broaden their earned income portfolio. But members are clear that while private sector income is growing, it will never be enough to meet the increasing demands for their services from women wishing to start and grow businesses.

The Strategic Framework for Women's Enterprise has fuelled an enthusiastic and committed sector. This survey suggests that this commitment is not yet being matched by a coherent funding strategy from Government and the RDAs.

Recommendations

- **The Strategic Framework for Women's Enterprise needs to be supported by a coherent and long-term funding strategy from Government and the RDAs.** Without such a strategy the sector faces an imminent funding crisis. Organisations which meet the PROWESS Flagship standard for best practice in women's enterprise development, currently feel extremely insecure about their future funding prospects. It is highly likely that a significant proportion of those best practice providers will disappear in the next couple of years unless action is taken soon.
- **Business Links need to incorporate targeted women's enterprise support within their core services.** PROWESS Business Link members committed to improving their service for women are currently dependent on short-term, project funding sources for their women's enterprise programmes. They are succeeding in increasing the number of women using their services. For other Business Links, the proportion of clients who are women is just 20%.
- **A national network of targeted Women's Business Centres (WBCs)**. The provision of women's enterprise support is currently extremely patchy and funded in a largely short-term and unsustainable manner. There is a need for a securely funded network of WBCs to work alongside the Business Link network. This will require policy commitment and resources. With sufficient political will, it could be achieved by the effective re-prioritisation of existing resources.
- **Improved engagement with Trusts and Foundations.** Only 2% of sector funding currently comes from charitable sources. Business advice and self-employment support for unemployed people or in the context of rural and urban regeneration are now acceptable charitable objects. If those objectives are at the heart of their activities, members could consider applying for charitable status. Alternatively some Trusts will support non-charitable but non-profit distributing organisations developing initiatives in this area.

- **An increased role for the SBS and PROWESS in educating and informing funders.** It is clear from this research that the SBS Women's Enterprise Unit, in partnership with PROWESS, continues to have a key role in promoting the economic case for women's enterprise development and the importance of women's business ownership for productivity and economic growth.

2. The Impact of PROWESS Members

PROWESS has over 150 members, of which 82 are business support providers and 10 are women's business networks.

Each year these members

- Provide business advice and information to almost a quarter of a million people, 42% of whom are women.
- Support the launch of 25,000 new businesses, 39% of which are women-owned.
- Provide business networking events and opportunities to 40,000 people, 83% of whom are women.
- Provide business development training and support to 70,000 businesses, 35% of which are women-owned.
- Directly support 18,000 people into jobs or further training, 42% of whom are women.
- Provide over 5,000 business loans, 32% to women – delivered by 14 members.
- Issue 4,500 grants, 27% to women – delivered by 16 members.

Over 80% of members keep a record of how many of their clients are women. 23% of PROWESS members collect and/or supply figures for disadvantaged groups, such as lone parents, people with disabilities and Black and Minority Ethnic (BME) groups. The most commonly collected disaggregated figure is for BME groups. Many organisations, when asked this question, say they do not collect this information about their clients because their funders do not request it. Others feel asking questions about disadvantage is too sensitive.

The majority of PROWESS members who deliver business support services do so as part of a mainstream service; 26% deliver services targeted specifically at women.

PROWESS members have an average annual income of £1,813,623. The median is £242,500. The total annual income of the 34% who responded to the 'Show us the Money' survey is £58 million. It is not clear how much of this income is dedicated to women's enterprise support.

The 10,000 new women-owned businesses started with support from PROWESS members will have a combined average business turnovers of £1.5 billion during their first year in business (2).

3. Sector profile

Maturity

The age range of organisations in the sector spans 135 years, with the oldest founded in 1867 and the most recent in 2003. The majority of organisations were founded in the 1990s (44%), a quarter were founded in the 1980s, and one fifth have been founded since 2000.

Sector

The majority of PROWESS members providing business support services define themselves as independent and not-for-profit (69%). The others are split nearly evenly between the public (17%) and private sectors (14%).

Business Link franchisees are spread across the 3 sectors.

Delivery focus

Half of PROWESS members provide services on a local or sub-regional level, with 40% delivering region-wide. 10% deliver on a multi-regional or national level

Regional / national spread of membership

This study focuses on the 92 PROWESS members who provide business support services or networking. They are located as follows:

Table 1: **Regional / national spread of membership**

Region / Nation	PROWESS members delivering business support
North West	17
London	15
Yorkshire & Humberside	10
East Midlands	9
East of England	9
South East England	9
South West England	7
West Midlands	7
North East	4
Scotland	2
Northern Ireland	2
Wales	1

PROWESS members are concentrated in the English regions, with very few in the devolved administrations. This reflects both: the seed funding PROWESS itself received during this period, which was aimed at building capacity in the English regions; and the different models of business support and partnerships in the devolved administrations.

Income sources

78% of sector income comes from public sources. 21% is commercial or other income and 2% is from charitable sources.

The most significant source of public funding for the sector are the European Structural Funds (ESF and ERDF), Local Authorities, RDAs and the Phoenix Development Fund. The percentage of members accessing the main funding souces is outlined below:

Table 2: **Sources of public funding**

Sources of public funding	% of members accessing
ESF/ ERDF	73.5
Local Authorities (councils)	50.0
Regional Development Agencies (RDAs)	44.1
Phoenix Development Fund	41.2
Learning & Skills Council (LSC)	35.3
Business Link contract	32.4
Small Business Service (SBS)	26.5
Single Regeneration Budget (SRB)	29.4
IAG partnership	8.8
Higher and Further Education contracts	5.9
Department for Work & Pensions (DWP)	5.9
Other	11.8

Imminent changes to the most significant funding sources is due to have a profound effect on the sector. The future of European structural funding (ESF/ERDF) is currently unclear. The structural funds are under review from 2006 and different priorities are likely to emerge due to the addition of new member states. The Phoenix Development Fund (PDF) has reduced its commitments from 93 to 26 projects in 2004 and is due to end in 2006, though its priorities should be taken forward by the RDAs. Similarly SRB programmes will end with those priorities also being taken forward by the RDAs.

Local Authority funding often provides relatively secure core funding where it exists, but local authority support for enterprise development has declined in recent years and is unlikely to increase. There may be scope for the sector to further develop some of the smaller funding streams such as IAG partnerships and Higher and Further Education contracts.

The sector is entrepreneurial with over 70% of members bringing in commercial income and 18% relying on private sector sponsorship. A more worrying trend is the 15% who are drawing on assets or reserves to fund current revenues. Only one member is funding provision through loan finance and another one has received a legacy.
Other significant sources of income include members, in-kind or pro-bono assistance and secondments.

The very small amount of charitable funding going into the sector includes 2 grants from the Community Fund (National Lottery) and 3 from other trusts and foundations.

Dealing with change

Members have the following strategies for dealing with future changes to their funding:

- Increase earned income 80%
- Asset based developed 30%
- Reduce the size of the organization (downsize) 20%
- Develop internal fund-raising skills 13%
- Cut non-core programmes 12%
- Take advice 9%

In addition, two organisations, both women's business networks, are considering closure as a likely strategy. Those organisations which are considering downsizing are mostly PROWESS Flagship organisations. Flagships have developed the most appropriate level of service for women-business owners and all report high and growing levels of demand for their services. Flagships also work in partnership and add considerable value to mainstream business support providers in their area: reduction of Flagship services is likely to have a considerably detrimental impact on the sector as a whole and its ability to meet the needs of women-business owners.

No PROWESS members are currently prepared to consider hiring a fundraiser or outsourcing fundraising or bid writing. This may be a consequence of funding contracts which do not allow investment in fundraising and also do not enable organisations to recoup a surplus to invest in organisational development. However, 70% of members already bring in some commercial income and this is identified as an area for further development. Increased commercial income should enable the sector to increasingly develop plans for organisational development.

4. Comparisons by Organisation Type

Organisations were categorised into 1 of 5 main categories: Business Link, Enterprise Agency, women's enterprise organisation, women's business network and PROWESS Flagship member. Unfortunately, 5 organisations were left out of this analysis as they did not self-select one of these 5 main categories.

The most numerous respondents were women's enterprise organisations (10), followed by 9 Business Links, 7 Enterprise Agencies and 3 women's business networks. PROWESS Flagship organisations are found in most of those categories and the 7 Flagships included in the survey were also drawn out into a separate category. Flagships are accredited by PROWESS as providing best practice women-friendly business support and it was felt important to review their current situation against other types of organisation.

Maturity

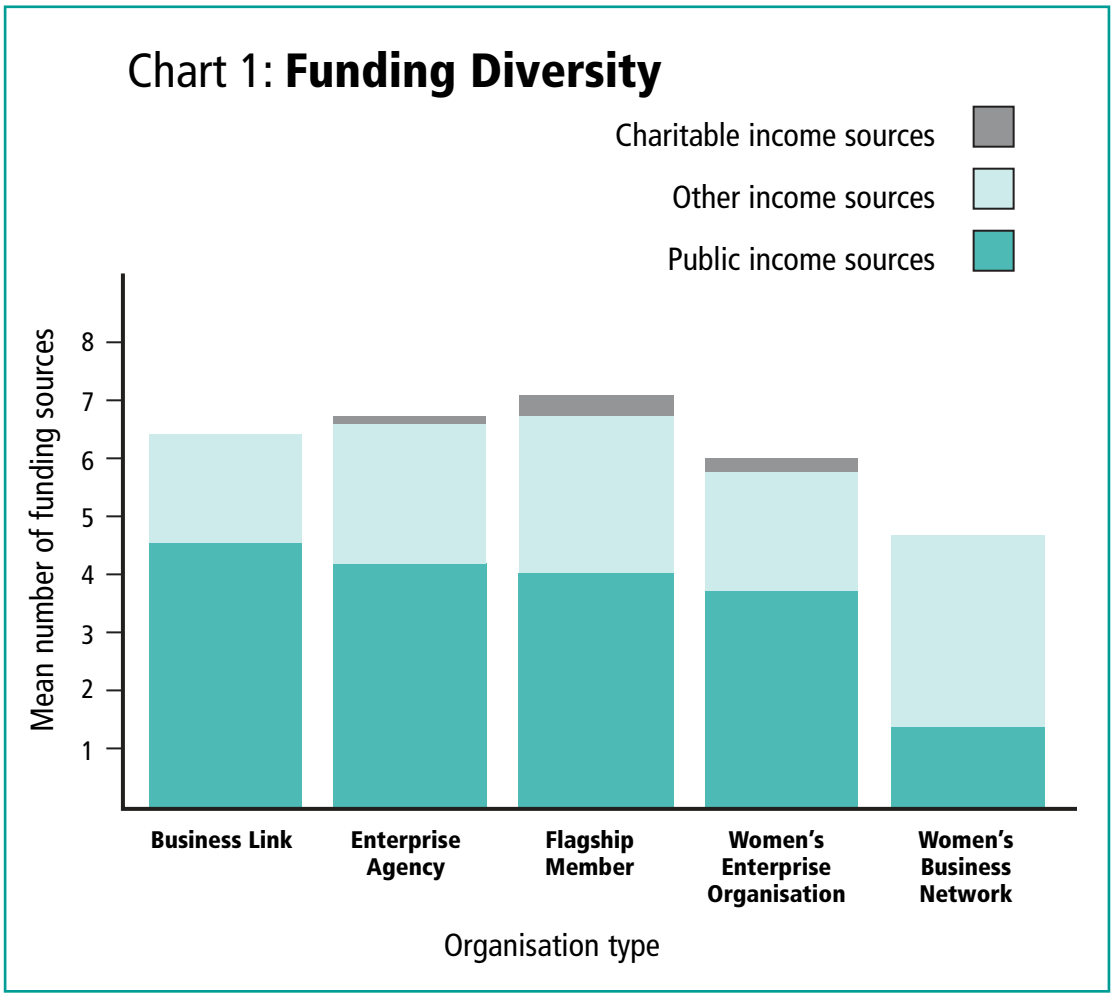
Enterprise Agencies are the longest established group (20 years) with PROWESS Flagship members averaging 15 years old. Business Link franschisees are on average 9 years old and women's enterprise organisations 8 years old. Women's business networks are the youngest, with an average age of 5 years.

Annual Income

Business Links have the highest annual income of £4 million, with PROWESS Flagship organisations bringing in £450,000 a year. Enterprise Agencies have a median income of £200,000 and women's enterprise organisations and women's business networks have an income of £100,000 and £120,000 respectively.

Funding Diversity

PROWESS Flagship members and Enterprise Agencies have the most diverse funding bases, each accessing on average 7 different sources of funding. Women's business networks have the least diverse funding base: but the greatest number of private income sources. Business Links have the highest number of public funding sources and the lowest number of private income sources.



Regional Development Agencies (RDAs)

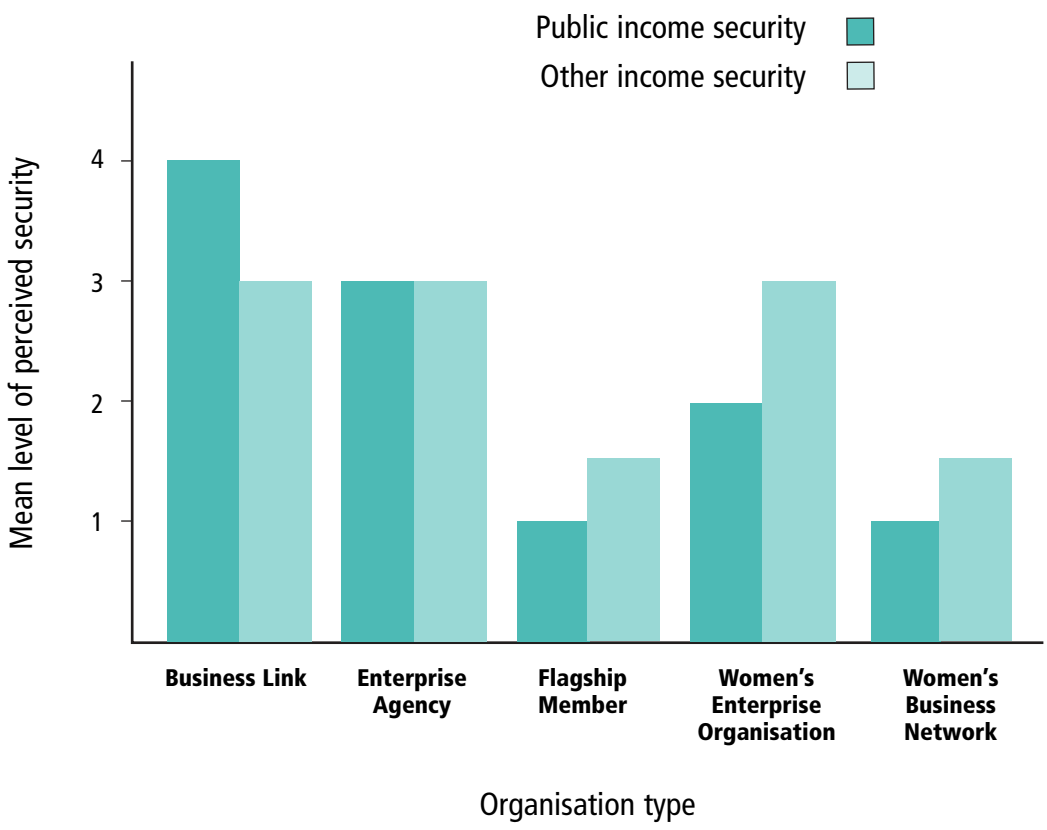
RDAs are increasingly taking over responsibility for funding enterprise and regeneration initiatives in their areas. The majority of Business Links (88%) receive support from RDAs, compared to 57% of Enterprise Agencies and 43% of Flagship members. Only 20% of women's enterprise organisations and one of the three women's business networks in the survey receive RDA support.

Funding Security

Organisations were asked to rate how secure they felt about future funding on a scale of 1 (very insecure) to 5 (very secure). This question threw into light the very sharp differences in expectations between the different types of organisations. Business Links feel fairly confident about future public funding, with a score of 4/5, in contrast to PROWESS Flagship members whose level of security is just 1/5. Business Links and Flagship members score 3/5 and 1.5/5 respectively in terms of the security of other income sources. Businesss Links have the highest level of security about their income overall. They are also the only organisation type that feels more secure about public income sources than its other income source.

Enterprise Agencies feel quite secure with a 3/5 score for both public and other income. Women's enterprise organisations score 2/5 for public funds and 3/5 for other income. Women's business networks receive little public income and what they do receive is perceived as unreliable (scoring 1/5); their other income appears to be similarly precarious with a 1.5/5 score. It is notable that all women targeted organisations feel slightly more secure about their private income than their public funds, even when public funds form the majority of their income.

Chart 2: **Funding Security**



Profiles by organisation type

Business Links

The average Business Link is reasonably well established (9 years) with a large and fairly secure income base of £4 million. The majority of income is from public sources, however BLs have been able to develop a good level of non-public income.

Enterprise Agencies

Enterprise Agency members are very well established (20 years) and have learnt over the years to develop highly diversified funding bases and to keep their turnover to a relatively low and fairly manageable level (£200,000 pa).

PROWESS Flagship members

Flagships are well established organisations (15 years), which paradoxically at present appear to feel extremely insecure about their funding base. Few Flagships have any core income and they have, over the years, developed highly diversified funding bases. They have also benefited recently from an increased policy focus on women's enterprise development. The average Flagship has an income of £450,000. This analysis suggests that Flagship organisations have little confidence that this increased policy focus will be sustained.

Women's Enterprise organisations

Small organisations with highly diversified funding bases, these organisations are more secure about their non-public income and quite insecure about public income. They are on average 8 years old.

Women's Business Networks

These networks are small organisations who rely more on commercial income than on public income. Women's business networks have an extremely precarious income base and apparently short lifespan (with 5 years average age).

5. Comments

Members were asked to elaborate on funding issues in the sector. 53% of members responded, anywhere from a single sentence to five paragraphs! The comments have a remarkable consistency, giving a picture of women's enterprise support being funded through short-term marginal funding sources and all the frustrations which that entails.

Marginal funding sources

Business Link and Enterprise Agency personnel committed to meeting the needs of women clients, within mainstream organisations, are frustrated that women's enterprise activity invariably has to be funded through marginal sources:

"All of our current support for women's enterprise creation is funded from non-core streams. If the targets in the Women's Strategic Framework are to be achieved it is equivalent to us doubling our activity on enterprise creation and related support. This cannot be achieved without investment through core funding."

A Business Link

"We are reliant upon core funding from our RDA. This is reducing but we are attempting to source additional funding from the SSP (sub-regional strategic partnership). Although this is looking more promising, women's issues do not appear to be high on the SSP agenda."

A Business Link

"Our Business Link is inconsistent in their commitment to funding our women's enterprise project. This service has become critical to our support for women and we are determined to continue, so if further funding is not forthcoming, we will have to reduce start-up grants offered."

An Enterprise Agency.

Organisations focusing exclusively on women's enterprise support appear to be wholly dependent on such marginal funding. This section includes many PROWESS Flagship members and their comments suggest that this sector is currently at crisis point.

"Dependency on time limited project funding makes long term planning difficult; disrupts cashflow planning due to retrospective payments; limits flexibility in project development; puts pressure on overhead costs; restricts ability to build up reserves and limits ability to respond quickly to new opportunities and new ideas. The more funders you have the greater the pressure there is on the organisation to manage complex funding packages and monitor reporting."

A Flagship member

"Public contracts payment based upon defrayed expenditure causes cash flow impacts. Public sector contracts should be three years reviewed annually to ensure continuity of staffing, maximisation of management time and therefore will support service quality."

A Flagship member

Funders' priorities

The intensive support provided by many Flagship members means that they have difficulties accessing even the unsatisfactory project funding which is available:

"Our women-focused service is considered poor value for money and scores poorly in comparison to mainstream providers to ESF/ERDF in terms of outcomes and outputs."

A Flagship member

"We work with 'hard to reach' clients, therefore quick access to self-employment is not on the agenda – need to evidence 'softer' outcomes and their lack of popularity amongst funders."

A Flagship member

"Demand for our services continues to increase daily. We have waiting lists in all regions we serve. However, like many others, we are currently in a funding crisis and as a result will be forced to take extreme measures to significantly reduce our overhead costs, resulting in staff redundancies, rather than recruiting additional staff to cope with service demand."

A Flagship member

The Strategic Framework for Women's Enterprise

The Framework is welcomed by the sector, however there is broad frustration that it is not being supported by dedicated resources, summed up clearly by this quote:

"Strategic Framework – although demonstrating an understanding of the issues in women's enterprise, does not stand a chance of leading to similar success as we have seen in the US, unless the Government is prepared to put some serious financial commitment behind it.

A women's business network

Conclusions

The women's enterprise support sector has grown to almost 100 organisations committed to increasing the levels of support for women considering self-employment and business start-up in addition to those already trading. Together those organisations are succeeding in making a significant impact: supporting 100,000 women and starting 10,000 businesses each year.

Business start-ups, or self-employment, are key to employment and productive growth in the regions, but comparisons with similar economies shows their numbers are still quite low. Around 30% of all US businesses are majority female owned compared to less than half that proportion in the UK. If the English regions matched the growth achieved by Canada in the 1990s we would have almost 400,000 more self-employed women in the next ten years.

The women's enterprise support sector has an important and potentially achievable job to do.

But, while the Strategic Framework for Women's Enterprise has set the object of significantly increasing the numbers of women starting and growing businesses in the UK, its delivery is being hampered by a short-term and short-sighted funding infrastructure.

Across both mainstream and targeted business support provision for women, funding streams are additional and short-term. To meet their objectives, business support providers are having to juggle multiple sources of funding with often complex and contradictory requirements. Those providers meeting PROWESS's rigorous quality standard – our Flagship members – are simultaneously trying to meet the growing demand for their services from women while juggling the most complex funding portfolios. They recognise that this is an unsustainable position and many of them are considering downsizing. As well as the services they deliver directly, Flagships add considerable value to mainstream business support providers in their area: reduction of Flagship services is likely to have a hugely detrimental impact on the sector as a whole and its ability to meet the needs of women-business owners.

The opportunity to network with other women in the same position is acknowledged as particularly important for women developing businesses. But our women's business networks are the least secure of all PROWESS members: the majority surveyed are considering closure.

Many of the funding sources currently available will soon be absorbed into Regional Development Agency 'single pots'. This may assist the sector considerably by reducing the administrative burden of managing multiple funding streams. However, PROWESS research with RDAs and key players in the regions finds that the overwhelming majority consider that most RDAs have neither the knowledge and understanding, nor the determination to commit the resources to women's enterprise development that are needed. RDAs are undoubtedly serious about business and enterprise, but women's enterprise remains largely on the periphery.

The DTIs Small Business Service will continue to have a leading role across government in the development of small business policy and strategy. The SBS Women's Enterprise Unit has led on the implementation of the Strategic Framework for Women's Enterprise and the principles of the Framework have been incorporated in government small business policy (4). It is clear from this research that the SBS, in partnership with PROWESS, continues to have a key role in promoting the economic case for women's enterprise development and the importance of women's business ownership for productivity and economic growth.

Notes:

1. Harding, R. Global Entrepreneurship Monitor, London Business School 2003.

2. Flagship members have achieved the PROWESS Flagship Award standard for best practice in women's enterprise development. Flagship organisations have been assessed and verified against 14 core criteria covering inclusion, quality, equality and client focus. Flagship members provide established, locally-based business support to a significant number of women in the area they serve. Their services are free or affordable, are easy to get to and they can help with childcare and disability or language barriers. Either directly or in partnership Flagships provide business training, training to help build personal skills and confidence, help accessing business finance and ICT training. They also provide opportunities for networking or mutual support with other women running their own business and the option of women-only training or access to a female business advisor.

3. Annual Small Business Survey, SBS 2004.

4. A Government Action Plan for Small Business, DTI/HMT 2004.

Other PROWESS initiatives to boost women's enterprise

www.prowess.org.uk

The PROWESS website is the UK Wide Gateway to local women-friendly business support.

Log on for:

- **Details of women friendly business support providers across the UK – use our clickable map to find the services most appropriate for you.**
- **The latest Women's Enterprise UK News**
- **Information on how PROWESS influences policy at regional, national and international level**
- **PROWESS publications and all the latest research on women in enterprise**
- **Inspirational case studies of women business owners**
- **The newest edition of PROFILE: The Journal of women's enterprise**
- **A regional break down of business support events taking place across the country**

The PROWESS website promotes, supports and celebrates women's enterprise