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## **Response to the Women and Equalities Committee's Call for Evidence on Female Entrepreneurs**

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### **Introduction**

This submission from the University of Wolverhampton is based on research underpinning two funded programmes: *Women in Business Leadership in the Midlands* and *Investigating Disparities in SMEs Digitalisation*. It also reflects the work of many academics at Wolverhampton Business School in the areas of gender, entrepreneurship, mentorship, and coaching.

The University of Wolverhampton is uniquely positioned to respond to this call. We intend that the expertise of all the contributors adds value to the Committee's deliberations

### **Responses to Questions**

**Q1-What are the barriers facing women, including specific groups of women such as those from an ethnic minority background, seeking to start and grow successful businesses in the UK?**

Q1.1 Women entrepreneurs in the UK, face multiple barriers in starting and expanding their businesses. Securing funding is a persistent challenge for women-led businesses. The presence in low-growth sectors and high risk aversion are widely cited reasons for the

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<sup>1</sup> Professor Machold was at the University of Wolverhampton in 2022 when she completed and submitted the *Women in Business Leadership in the Midlands* project.

reluctance by women entrepreneurs to seek bank financing. Our recent research on disparities in digitalisation among UK Small and Medium-sized Enterprises (SMEs) found that women entrepreneurs face financial challenges because they are more afraid of taking risks with loans and investments. They worry about the possibility of being rejected for funding and the challenge of repayment. Many see their businesses as too small to get financial support (1). However, the participants in our other study highlighted that women entrepreneurs do not necessarily have information about available funding and support programmes - *“I know there's a lot of like entrepreneurial accelerator programs as well, but it's about, you know, are the women in the room where they're hearing about this ....They go out to the population through certain channels, and I don't think women are necessarily hearing and receiving those messages”* (2).

Q1.2 Financial constraints and risk aversion limit women entrepreneurs' ability to invest in digital tools and Artificial Intelligence (AI) technologies. Without funding, buying digital tools becomes difficult, slowing down digitalisation. Moreover, there is dominance of male investors, who often prefer investing in male-led businesses, as cited in (1) *‘Women entrepreneurs are often at a disadvantage because most investors are men who tend to invest in male-led businesses. This cautious investment approach, coupled with a lack of training and support to appreciate the benefits of digitalisation and AI adoption, further exacerbates the issue’*. Furthermore, societal stereotypes that undermine women’s technological capabilities persist, partly due to male-dominated nature of STEM education. The lack of access to finance and digital skills training further discourages women-led businesses from adopting new technologies, limiting their competitive edge (1).

Q1.3 There are regional disparities in the number of women led businesses and also in accessing finance by women. Longitudinal Small Business Survey (LSBS) data (2016-2020) analysed in our study suggests that:

*‘Almost half of UK small firms (48.2%) are entirely male-led businesses, 21% are equally-led, and 13.6% have women in a minority. Women-led businesses account for 17.2% of small businesses, and only 1.2% and 1.4% of these are based in the East Midlands and West Midlands, respectively. This is a lower proportion of women-led businesses compared to other English regions except the North East and Yorkshire & the Humber. The disparity between women-led and other businesses is around 4.8% in the Midlands region. Moreover, there are fewer women-led businesses in the East Midlands than in the West Midlands’* (1).

Our study also found that women-led and equally-led businesses in the East Midlands, as well as equally-led businesses in the West Midlands, face significant difficulties in accessing finance (2). In these regions, women-led businesses operate below the average of other English regions, except the North East, in terms of the types of finance used, highlighting a clear regional financing gap. Moreover, alternative funding sources such as equity finance, peer-to-peer loans, factoring/invoice discounting, and family loans are underutilised by women entrepreneurs, partly due to perceived risks. Consequently, women-led businesses rely more on lower risk options such as credit cards, bank overdrafts, leasing or hire purchasing, loans from the bank, building society or other financial institution, and government or local authority grants or schemes (2).

Q1.4 Many women do not view entrepreneurship as a viable career path, often believing they lack the necessary business knowledge, skills, confidence and networks, all of which are found to be developed through mentorship opportunities (4). The absence of formal mentoring programmes and positive role models, sponsors and allies contributes to lower self-esteem, confidence and imposter syndrome, discouraging women from pursuing leadership roles (2) (6) as mentioned by a participant in our study (2) “...it’s taken longer than would be ideal to build up that sort of bank of positive role models for women to see how they can get into those positions”.

**Q2. In which sectors of the economy do women face the greatest barriers to entrepreneurship, why is this, and what could be done to tackle them?**

Q2.5 Women face the greatest barriers to entrepreneurship in sectors with a strong history of male dominance, particularly in the Midlands’ industrial base and the Manufacturing and Engineering industry in the West Midlands. Cultural norms shaped by male-led industries have resulted in organisational structures and workplace attitudes that marginalise women in leadership as shown by participant of our study (2) “There are cultures that are quite prevalent in the Midlands area where it’s just not socially acceptable for women to have any kind of leadership role” and also “The Midlands...It is cultural...that people really don’t take women seriously in some of the male dominated sectors”. These norms persist through traditional management styles, expectations of long working hours, lack of recognition for commitments outside work, and competitive environments that disadvantage women. Quotes from women in our study support this: “You’ve got to prove yourself even more. You know whether that was extra hour in the office or extra work” and “They’re looking after their kids. They took a career break...” and “There was a perception that I was somehow problematic because I was talented or somehow, I’m going to be a threat” (2)

Q2.6 Our paper, delivered at the ISBE conference on 6 November 2024, from our ongoing research demonstrated that beyond cultural and structural barriers, women entrepreneurs face challenges in balancing professional and family responsibilities, particularly due to the lack and/or cost of support for children and the elderly, medical and social care for the elderly, and the statutory right to work from home for sick children or the elderly and understanding of the need for flexible working arrangements. Networking limitations further hinder their access to business opportunities. Additionally, women struggle to gain recognition as entrepreneurs and leaders, often requiring validation and sponsorship from male counterparts to be taken seriously, which may not be forthcoming, which then leads to career stagnation, particularly after returning from maternity leave (3).

Q2.7 Addressing these barriers requires structural and cultural change, including more inclusive organisational policies, such as those reflected in our study (2) ‘Instead of assuming women cannot do a job, leaders should embrace difference and seek to eliminate barriers that have excluded women’. It also requires greater flexibility for childcare support, improved networking opportunities inside and outside work, targeted mentorship programmes, and proactive efforts by both genders to challenge traditional gender norms in leadership and entrepreneurship (2 & 3). Within organisations, mentoring programmes need to be endorsed and supported by the senior management team, who may well be predominantly male, in order for them to be as effective and successful as possible (5). Partly as this will ensure the most effective mentors are appointed, and that the initiatives are correctly targeted, but also to ensure that budget is secured to ensure credibility and sustainability of the programmes. Outside of organisations, any Government funded mentoring initiatives need to be well

advertised to all regions, properly/fully funded and robustly supported to ensure longevity (5).

### **Q3. How can women best be supported to overcome the challenges they face in securing funding to start and grow their businesses?**

Q3.8 Better funding advice from growth hubs can help women entrepreneurs navigate financial options effectively. Women can be best supported in overcoming funding challenges by being supported through networks and mentoring opportunities to develop the knowledge, skills and confidence to leverage digital tools to improve work-life balance and by expanding access to funding networks and business support agencies (1).

Q3.9 Training and support to enhance understanding of AI, including cost estimation, timelines, and investment strategies, can also improve women's ability to secure funding. A long-term approach involves encouraging girls and women to pursue education, training, and mentorship in STEM and AI, ensuring they are well-equipped to enter and lead in these fields (1). Additionally, establishing grant programmes specifically for women-led startups in AI, implementing diversity training and gender equity policies in tech firms, and launching national campaigns to sensitively promote women's participation in STEM and AI can create a more supportive environment for female entrepreneurs (1).

### **Q4 What steps should the Government take to help support the development of female-led high growth enterprises?**

Q4.10 The government can support female-led high-growth businesses by improving access to funding, training, and networks while also promoting and celebrating gender diversity in male-dominated industries like technology and manufacturing. As cited in our study (1) *'Create dedicated funding opportunities for women-led tech startups and initiatives focused on gender equity.'* As we know from the [Women in Tech Survey \(2023\)](#), women make up only 26% of the tech workforce, and according to the [Cambridge Industrial Innovation Policy brief \(2023\)](#), they constitute 26% of the manufacturing workforce, highlighting the need for targeted funding programs to support women-led startups. Providing financial incentives for companies that hire and promote women in tech can encourage greater inclusion. National awareness campaigns and STEM education programmes should also be expanded to inspire more women to enter and thrive in high-growth industries as added *'This could include scholarships, mentorship programmes, and partnerships with tech companies to provide real-world experience. Promote coding boot camps, AI courses, and other tech skills training programmes aimed at women, with additional support for those from underrepresented backgrounds'*. (1).

Q4.11 Beyond tech, women entrepreneurs need better funding options, mentorship, and networking opportunities to grow their businesses. Universities and colleges can play a key role by offering start-up programmes tailored to women's needs (2). At a regional level, leaders should recognise the direct and indirect obstacles in their workplaces and work hard to change workplace cultures to be more inclusive rather than simply meeting diversity targets. Sharing success stories of female entrepreneurs can help build confidence and encourage more women to start businesses. Support networks, both in-person and digital, should be expanded to provide guidance and resources. On an individual level, training and

mentoring programmes should focus on building leadership skills and confidence, while businesses and communities should actively support and amplify women's voices (2).

Q4.12 The leadership style of male and female leaders differs which originates from their self-construal: women rely more on an interdependent, relational, and connected approach compared with men's independent approach. The female leadership style may catalyse confidence among subordinates and increase staff moral to respond to challenges (7). Also, the array of roles played by women in their marital, parental, and filial life equip them with psychological advantages, enabling them to be comprehensive, meticulous and flexible in decision-making. These key differences need to be highlighted during the training and female entrepreneurs need to be encouraged to use their idiosyncratic style to seek internal as well as external ties to overcome operational barriers, especially those gender-related (7). In addition, in recent years, we witnessed that the business environment had become increasingly turbulent, with unforeseen events such as climate and health crises, the digital revolution, and war continuously impacting SMEs. Confronted by these unprecedented disruptions, SMEs must frequently adjust their strategies, balance their unique strategic needs, and align their operations with the evolving landscape. Our research evidence indicates that female-embodied attributes and female-enabled business cohesion, governance, and resource orchestration are associated with an enterprise's ability to prepare for, control, absorb, and adapt to change (7). This finding has practical implications, suggesting that fostering these attributes via training can enhance an SME's resilience and agility. Overall, the government needs to create a more inclusive and supportive environment for women entrepreneurs, recognising their strengths and addressing their barriers. By so doing, female-led enterprises can better navigate the complexities of today's dynamic market, ensuring sustained growth and stability.

#### **Q5 What data exists or is required to track success and monitor progress in female entrepreneurship?**

Q5.13 There is some evidence available from various datasets, such as the [Global Entrepreneurship Monitor](#), the [Longitudinal Small Business Survey](#) by the Department of Business and Trade, and the [Alison Rose Review of female entrepreneurship](#), which continue to serve as key sources for monitoring progress in female entrepreneurship. Additionally, different datasets can be used to track success and measure progress. For example, existing data on the proportion of women-led businesses across UK regions can be compared with economic indicators such as Gross Value Added (GVA). GVA measures the contribution of industries or sectors to the economy by assessing the value of goods and services produced, adjusted for input costs. Analysis of regional GVA data from 2015-2019 with LSBS data from our study shows that regions with higher levels of GVA tend to have a greater share of women-led businesses. However, variations exist, with some regions performing better than expected given their economic context. For instance, the South East has a higher share of women-led businesses than London despite both having high GVA, while Wales, the North East, and Northern Ireland underperform relative to their GVA levels (2).

Q5.14 In addition to existing data, regularly tracking the financial performance of women-led businesses—such as growth in sales turnover, profitability, employment, and survival rates—can support better policy development. Innovation outcomes are particularly important in the era of digitalisation and AI.

March 2025

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