



ACHIEVING SCALE

Breaking Through
Barriers for
Female Founders

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RESEARCH PARTNERS

This collaborative, national research project was designed and completed by the Advisory Board Centre with the support of our research partners.



FOREWORD

Across Australia, significant investment has occurred in supporting more women to start their own businesses. The next stage in supporting female entrepreneurship is to understand the conditions they need to scale their business - if they want to.

Regardless of gender, starting, growing and maintaining a business is not “easy”.

The intent of this research is not to identify ways to make business “easy” for Female Founders. The intent is to move the conversation beyond the challenges that exist for all business owners and identify barriers that may be specific to or more prevalent for Female Founders.

Women do not lack ability or ambition. To capitalise on the investment made to encourage women in business and significantly advance the economic participation and opportunity for women, we need to uncover and understand the barriers to scale for Female Founders.

This will allow for a more targeted and impactful response from Government, Industry, Support Networks and individual Female Founders to achieve their ambitions.



Louise Broekman
Founder & CEO
Advisory Board Centre

Throughout my career I have been fortunate to have experienced different aspects of the Female Founder journey. I've started businesses, both as a Founder and Co-Founder, I've worked for and with incredible Women and I have advised Female Founders on their own journey.

In my experience, Female Founders are adamant that they do not want special treatment nor do they want existing structures "painted pink" and celebrated as Female-friendly.

The Female Founders I know want to grow their businesses to increase their impact through financial and non-financial measures. They want to be heard, seen, valued for their contribution and allowed to fail - just like their Male counterparts.

It is indisputable that Female entrepreneurship is driving business growth. Since 1991, Female founded businesses increased by 80%. In the decade to 2019, two-thirds of new businesses were Female owned.^{vi} This drive is through the individual choices of women as well as the shifts in support from the wider founder ecosystem.

Supporting women in business is not a women's issue - it's a business issue. I am pleased to present this report to provide additional insights to support Female Founders



Jan Easton
COO & Female Founders Program Leader
Advisory Board Centre

ABOUT THE REPORT

The findings in this report are based on a four phased approach to data collection, insight development and case studies in 2019 and 2020.

Individual respondents are drawn from across Australia and include 200 initial Founders and business owners in 2019 and 125 Female Founders in 2020. Participating Female Founders annual revenue scaled from pre-revenue to \$200m.

This report is designed to identify and understand barriers to scale and the challenges in scaling a business for the individual owner and the resource considerations for the business.

REPORT USAGE

The report is designed to provide value to key stakeholder groups with an interest in entrepreneurship and business growth including:

- ✚ Aspiring entrepreneurs and existing Founders to consider the decisions they make.
- ✚ The support ecosystem to understand the importance of their role in advancing Women in business including:
 - Funders and Investors
 - Business Groups & Incubators/Accelerators
 - Professional Service Providers
 - Advisors & Directors
 - Government
 - Personal Supporters



THE BUSINESS LANDSCAPE

SME BUSINESS OWNERSHIP

A snapshot of key metrics for small to medium enterprise (SME) business owners in Australia

6th

Developed economies
for entrepreneurial
activityⁱ

36%

Female Ownersⁱⁱ

34%

Businesses are
located in Regional
areasⁱⁱ

30%

Business Owners
are migrants^{iv}



Business owners
are GenX &
Millenialsⁱⁱ

61%

2.1 Million Owner
Managersⁱⁱ

2.1m

Businesses
classified as Family
businessesⁱⁱⁱ

70%

Business Owners
are part-time
Ownersⁱⁱ

33%

FEMALE FOUNDERS



“ I genuinely have the sense that we're on the cusp of an enormous trajectory.

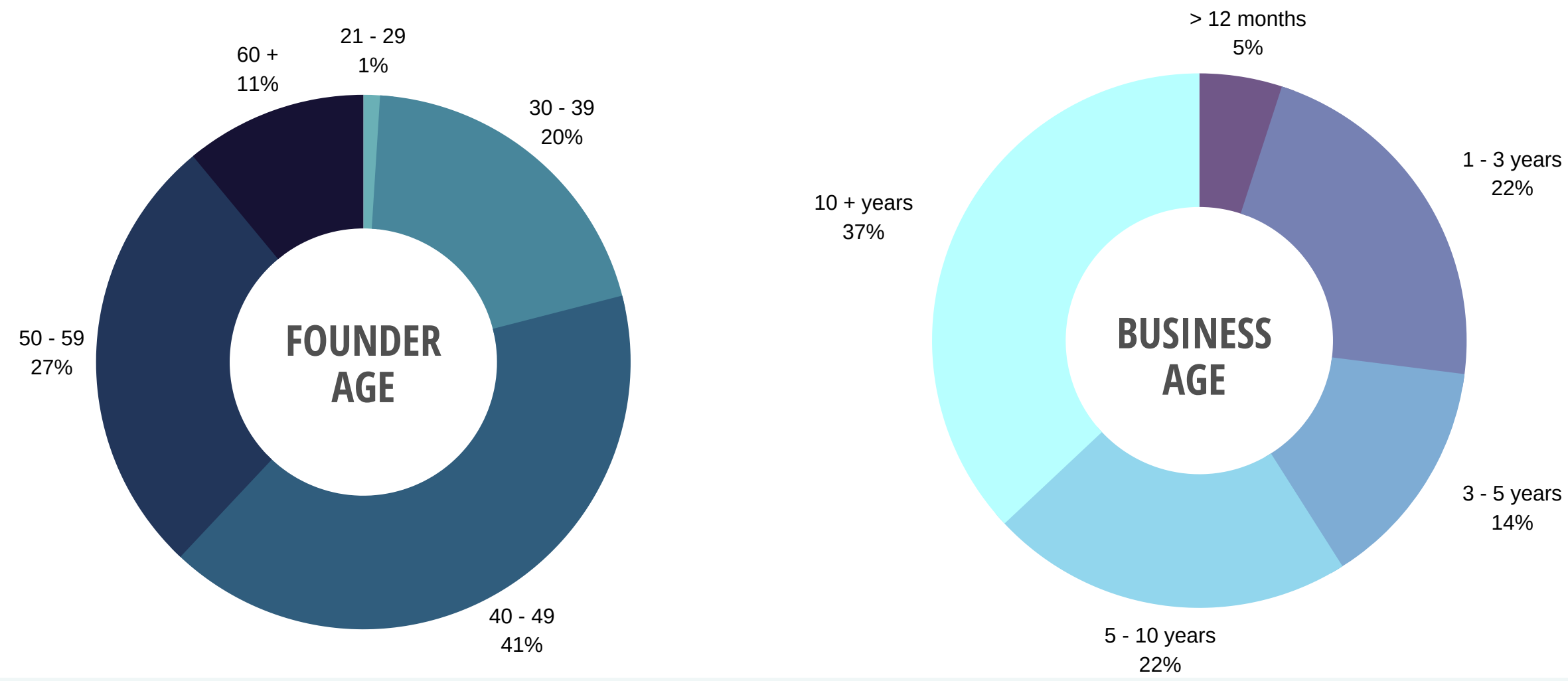
The current business environment, government initiatives and professional networks just have so much momentum at the moment.

I truly believe that it is all possible; and feel honoured to be a Female Founder at this time.

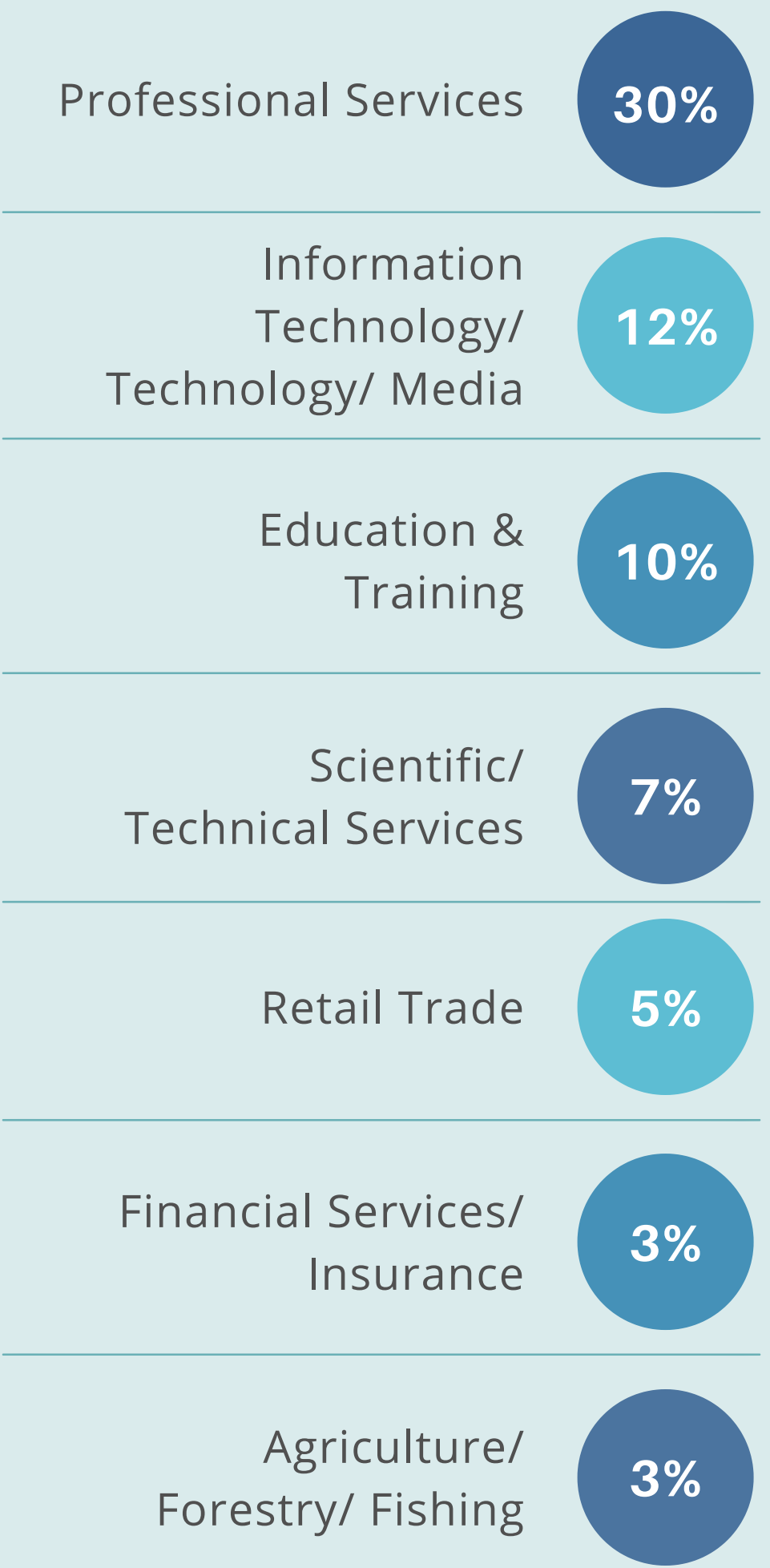
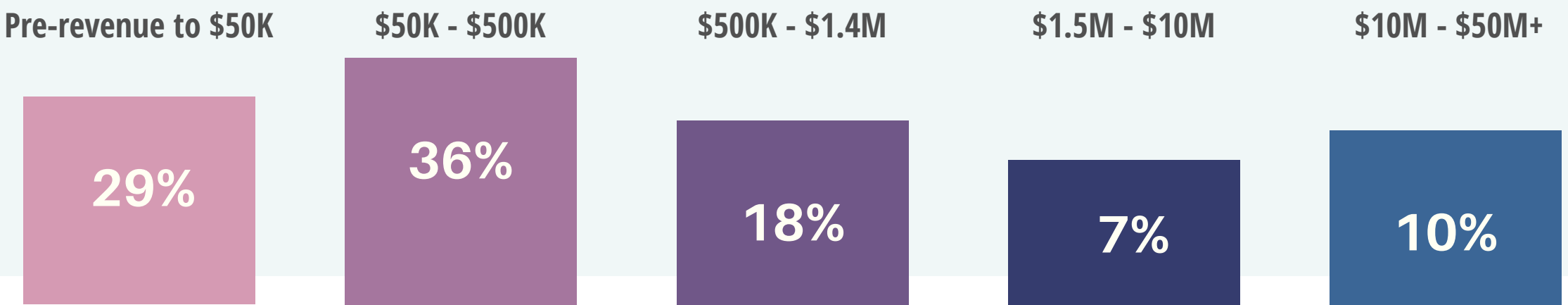
”

THERE IS NO TYPICAL FEMALE FOUNDER

And nor should there be.



ANNUAL REVENUE



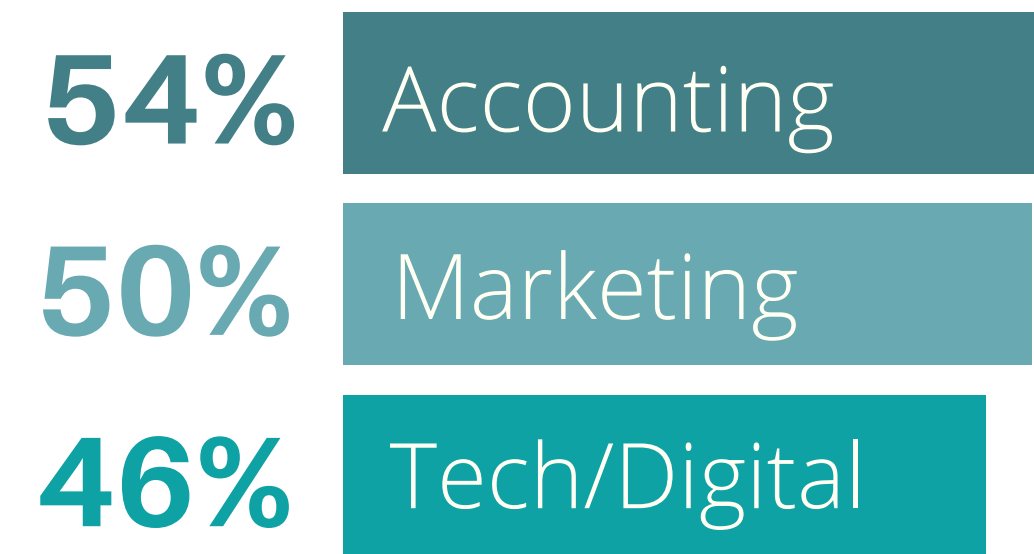
HIGHEST SECTOR REPRESENTATION

THERE IS NO TYPICAL FEMALE FOUNDER

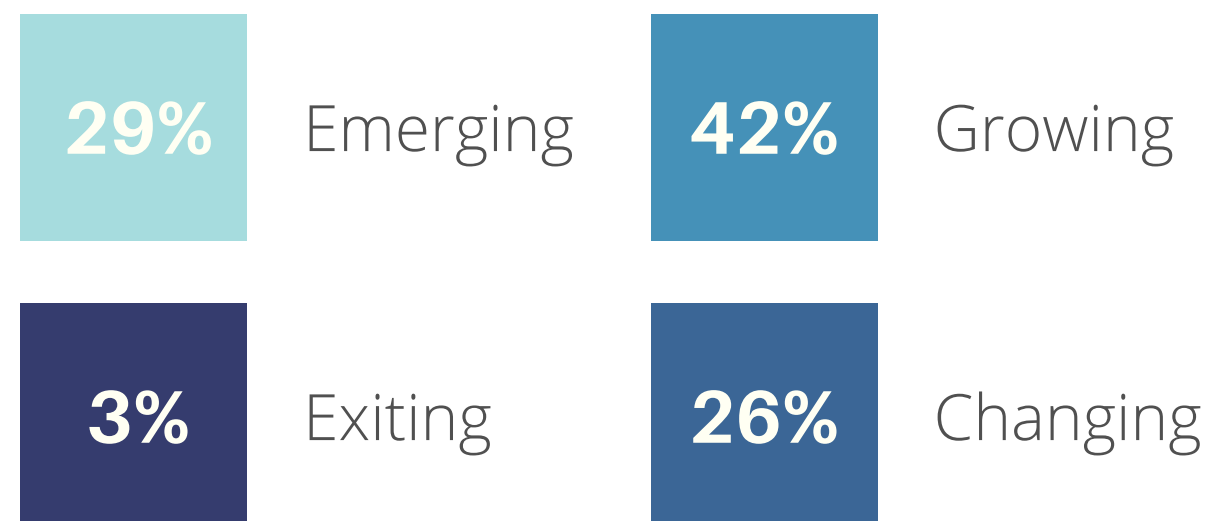
BUSINESS EXPECTATIONS



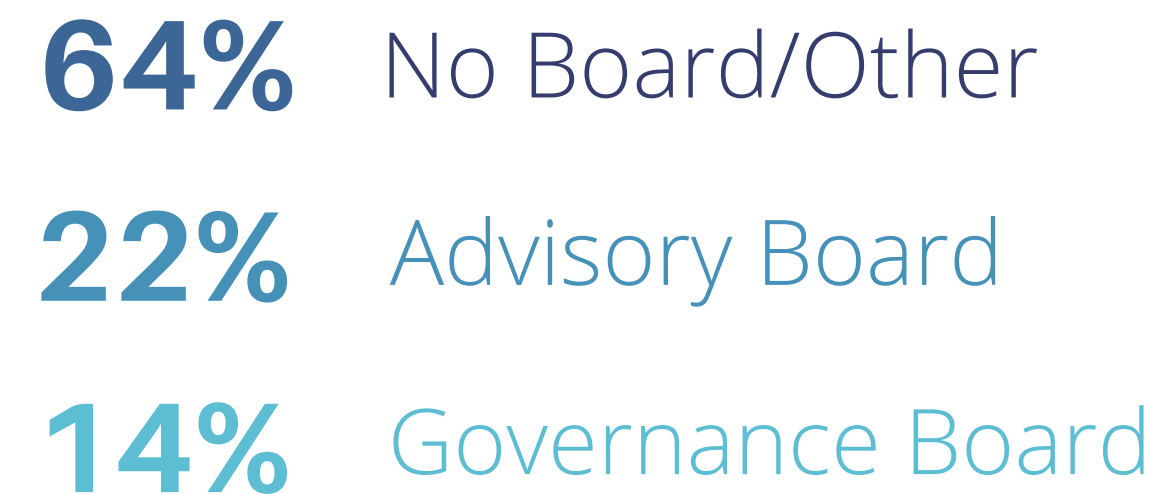
TOP SUPPORT NEEDED



BUSINESS STAGE



BOARD STRUCTURES



THERE IS NO TYPICAL FEMALE FOUNDER

GOVERNMENT GRANTS

22% Female Founders reported
accessing Government grants
to fund their business to date

Plan to access Government
grants in the future **59%**



Pre-revenue to \$50K
Most likely to access
grants in the future



\$10M+
Least likely to access
grants in the future

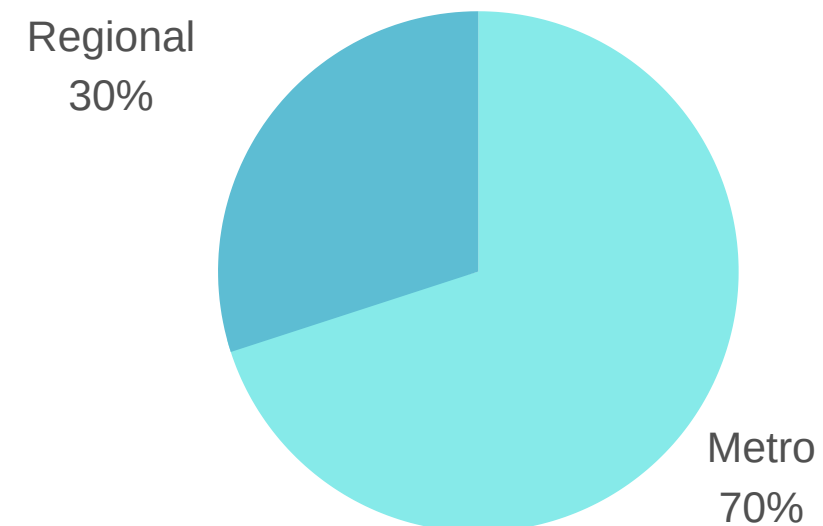
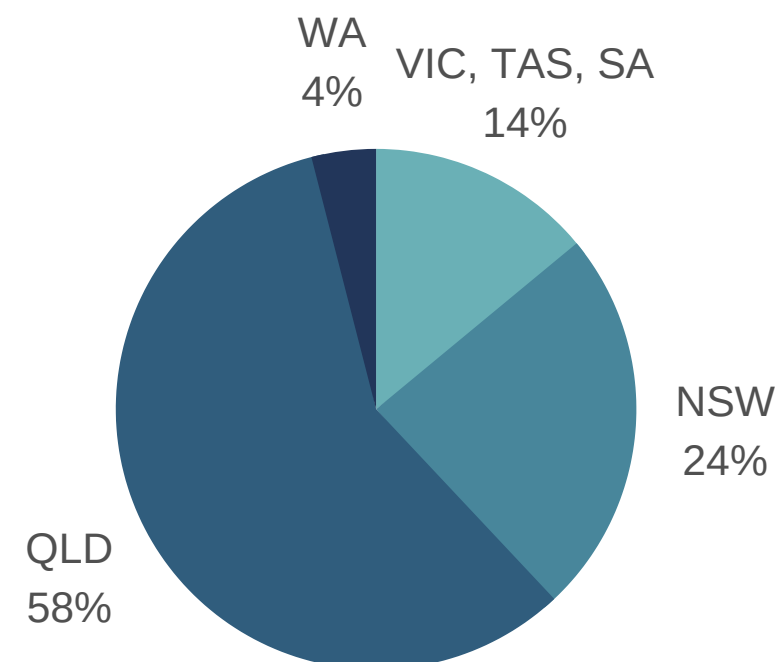
EXPORT STATUS

64% Not Exporting

20% Intention

16% Exporting

LOCATION



TOP 3 RESULTS

The research asked Female Founders to explore their activity to date, future ambition and perceived barriers across three key spheres of influence.



Personal Choices



Supportive Networks



Funding

The top 3 results includes the most commonly identified Ambitions and Challenges for Female Founders across all respondents.

AMBITIONS



Revenue Growth



Profitability Improvement



Product Development

CHALLENGES



Cashflow



Managing Time



Sales

THE SCALE UP JOURNEY

WHAT IS SCALE?

Scaling a business means:

to grow or expand in a proportional and usually profitable way;

to reach full potential.

WHY SCALE MATTERS

According to the OECD, high growth firms are those that achieve at least 20 percent average annualised growth in a chosen performance measure (such as turnover or employment) over three consecutive years. These scaling firms have a significant economic impact contributing over 46% of employment growth and almost 66% of sales growth in Australia.^v

The second part of the scale definition, “to reach full potential”, is closely linked to the ambitions of the business Founder. Potential, in the eyes of the Founder, may include non-financial impact measures such as personal satisfaction, self determination and balance. Individual business Founders seeking to measure scale may wish to explore both financial and non-financial performance measures.

Breaking through barriers to scale includes identifying and overcoming obstacles to achieving high growth and reaching full potential.

***“ I am happy with
my approach and
love what I do.

I just want to
make a bigger
difference. ”***



SCALE IS A CHOICE NOT A JUDGEMENT

Every business and every business owner is unique. Motivations for starting a business are as varied as the ambitions of the individual Founders.

Some owners do not want to scale a business beyond a certain point. Lifestyle choices, personal exertion and risk appetite are all factors in decision making.

Previous research by the Advisory Board Centre into business growth identified that Owners make decisions at multiple points on their growth journey to "Step Up, Step Back or Step Out".^{ix}

Founding a business that is constrained to the "right-size" for the Owner is a perfectly valid choice. Having ambition to scale a business to increase the impact is also a choice.

THE GREAT DIVIDE

Businesses of all sizes will face challenges that are not gender specific. This report and the underlying research explore the barriers, real or perceived, faced by Female Founders who have identified an ambition to scale their business. These barriers may also be experienced by Male Founders but the ultimate experience and subsequent outcomes may be different.

The Advisory Board Centre specifically conducted research to compare the experience of Female Founders to businesses overall. This identified the "great divide" between the scale factor in the overall business sector and Female Founded businesses. Additional research was completed to explore potential barriers for Female Founders to allow for the subsequent identification of opportunities to increase the scale factor.

BUSINESS SECTOR^{vii}

17% Annual revenue under \$1M

75% Identify growth opportunity in the next 18 months

70% Seek support from specialist Advisors

FEMALE FOUNDERS^{viii}

65% Annual revenue under \$500K

91% Identify growth opportunity in the next 18 months

57% Seek support from generalist coaches and consultants

THE SCALE JOURNEY TO \$500K

The half-million dollar annual revenue threshold is a pivotal point for Founders.

65%

Female Founder businesses generate annual revenue under \$500K

Scaling a business is not often a smooth journey. Whether it's rapid or slowly built revenue, businesses will hit different "make or break" points along the way which require careful decision making by the Founder. For Female Founders, the journey to \$500K is currently a ceiling, with the majority of businesses under this revenue threshold.

\$220K to \$500K

Profitability & Personal Growth

Exploring funding options via bank overdrafts & loans, challenges of managing employees, investing in professional development and networks.

\$50K to \$220K

Planning & Productivity

Increased funding via cashflow, connecting with peers in business, focus on using their time differently.

Pre-Revenue to \$50K

The Balancing Act

Primarily funded by personal savings, investing time into joining business network groups and undertaking professional development



97% Female Founders are planning to grow their business

PRESSURE POINTS

Compared to Female Founders with businesses over \$500K Revenue, early stage Founders are:

28% More concerned with managing personal time

More likely to undertake professional/ technical skill development 21%

11% More concerned about how to structure their finances

More likely to fund the business via personal savings 38%

25% More likely to be participating in business groups/ networks

More likely to access government grants and mentors 14%

BARRIERS TO SCALE

BARRIERS TO SCALE

The barriers identified by Female Founders that were adversely impacting on achieving scale in their business can be grouped into four key themes.

THE DELEGATION THRESHOLD

When and how a Founder begins to leverage other people's time and expertise.

WHO'S GOT YOUR BACK?

Being networked to access and actively engage with trusted advocates and advisors.

BUSINESS INVESTMENT LITERACY

Knowledge to navigate funders and financial arrangements to improve the overall financial position of the business.

THE EXECUTION GAP

Closing the gap between knowing and doing to ensure intent meets action.

THE DELEGATION THRESHOLD

Scaling a business requires careful evaluation and consideration of the commitment, benefits and consequences to achieve impact or growth measures. While delegation of individual tasks or activities may occur in smaller businesses, there is a definitive focus shift at the +\$500,000 annual revenue point. For Founders, this is where everything changes.

KNOWLEDGE IS DIFFICULT TO SCALE

The number of Professional Services businesses reduces by almost 1/3 once the \$500K+ threshold is reached.



“ I was outsourcing work to grow but then being able to get enough work to keep contractors happy was an issue. ”



Female Founders who surpass \$500K+ are

12%

more comfortable operating outside of their comfort zone

Female Founders who surpass \$500K+ are

14%

more concerned with red tape & compliance



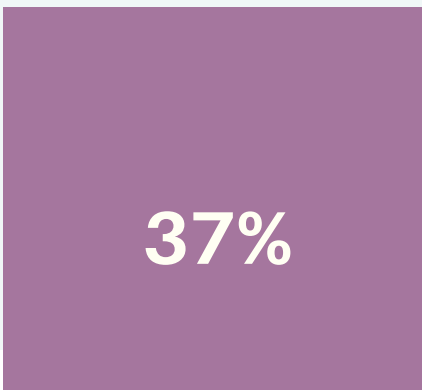
EXTERNAL SUPPORT & ADVICE

Female Founders with businesses over \$500K revenue are:

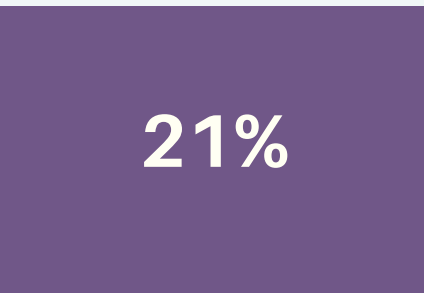
More likely to access external support/ help



More likely to have a Governance Board



More likely to have an Advisory Board



Less likely to be accessing business groups/ networking



RESOURCING FOR GROWTH

At the \$500K+ annual revenue mark, the resourcing factor primarily exists around activities and people. Firstly “what” to delegate and then “who” - either internal resourcing or external advice.

Female Founders of businesses above the \$500K threshold are:

More likely to employ others

37%

More concerned about employing others

21%

More concerned about the capacity of employees

17%

More focused on succession planning

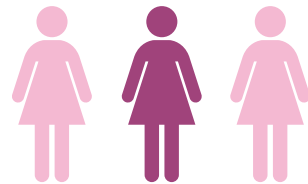
20%

Less concerned with managing their personal time

28%

BUSINESS INVESTMENT LITERACY

Financial literacy is a concern for Founders less than \$220K in revenue. Over the \$500K revenue threshold there is increased need for business investment literacy due to the different level of commitment required for resourcing. Investment at this level, whether personal or via external sources, needs to be carefully considered and provide a return.



1 in 3 Female Founders are concerned about not having the funds to grow their business



64% of Female Founders use personal savings as the primary source of business funding



60% of Female Founders intend to use existing cashflow as the future source of business funding

“I was fortunate to have experience in traditional banking, specifically commercial lending, so knowing the ropes on how to access and having the assets to support access, has not been a drawback for me.”



FINANCIAL LITERACY

Financial literacy is understanding how money works in business including the fundamentals of profit & loss, cashflow forecasting and basic pricing strategies.



BUSINESS INVESTMENT LITERACY

Business investment literacy is actively applying knowledge to leverage money to improve the businesses financial position beyond funding current operations and working capital.



REALITY CHECK

78%

of pre-revenue Female Founders report an intent to access investor networks and have future plans to fund their business growth via investment/capital raising.

>9%

Less than 9% of respondents under \$500K reported receiving investment /capital raising to fund their business.

In survey respondents, the use of investors and capital raising only became noticeable at the \$500K revenue threshold.

The findings indicate several areas for consideration:

- Potential lack of knowledge and/or access to early stage investment in Australia
- Low/lower levels of investment funding for Female Founders
- Lack of alignment between Founder expectations and investor appetite/availability

“Being a Female Founder helps you stand out in a pitching event to appease the political correctness stance only. I’m finding it very difficult to raise funds, compete, and grow a global business in this repressive climate.”

WHO'S GOT YOUR BACK?

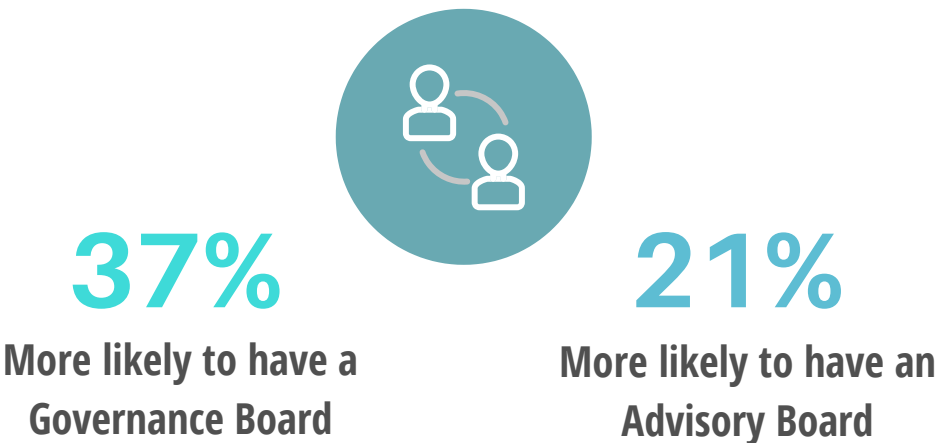
Accessing and actively engaging with support networks is important for Female Founders. Understanding and adapting to the shift from networking to being networked is a key transition point in the journey to scaling a business.

CURRENT EXTERNAL SUPPORT



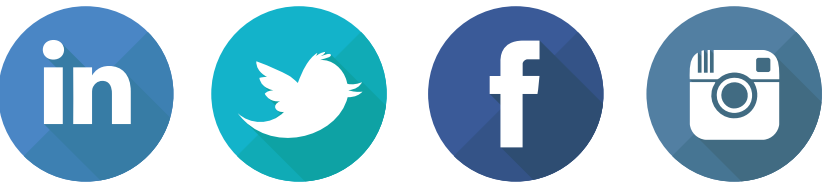
+\$500K SUPPORT

Compared to >\$500K



“Having a "supportive network" would be so valuable for me and my business, but I don't know where or how to start looking. I don't have time. Also I am concerned that because my business is small, the type of advisors I would attract would not be very experienced and so would not add much value, and they'd probably expect unreasonably high pay rates for limited return.”

SOCIALISED SUPPORT



Compared to businesses overall, Female Founders are more likely to access support networks via social media.

INTENTION SHIFT

As a Female Founder scales their business, where and how they spend their time becomes more targeted. There is a deliberate shift from joining business networks to engaging with professional and peer networks.



CLARITY OF FUNCTION

Regardless of gender, the Founder journey to scaling a business is very personal. As Female Founders grow their business, they may benefit from growing their networks.

Female Founders will benefit from carefully considering where and from whom they seek advice to support their decision making.

Personal vs Professional Support

Identify networks that provide a strong and highly valued support base with a personal focus. These are the people that back the Individual.

Identify networks that provide a foundation for robust discussion and development with a professional focus. These are the people that back the Founder.

AMBITIONS

Access networks via referrals from current advisors 41%

Access networks via referrals from business peers 60%

Female Founders that do not intend to access or engage networks 3%

BARRIERS

38% Cost

21% Concerned about return on investment of external advisors

22% Lack of knowledge-who/what I am looking for, options & access

“I want to trust I'm getting advice that will help me grow in a more in depth setting. I then need to fund that advice and the growth.”

THE EXECUTION GAP

Achieving scale or increased growth/impact is a future intent of Female Founders in this research. While the intent is clear, with the primary barriers to achieving intended outcomes being time and funds there is a high risk of an execution gap between knowing and doing where intent does not meet action.

Compared to businesses overall, Female Founders were more likely to report the following barriers to achieving their intent

I have to balance other personal commitments



I am not comfortable asking for help

Availability of funds



The cost of employees

Personal time availability



“ There are times when the knowledge of what needs to be done to increase web traffic, generate leads and convert sales is so overwhelming that I become paralysed. ”

“ I have little energy, faith in my ability and time to implement what needs to be done to grow the business to the level I want. ”

EXECUTION RISK

Beyond the \$500K threshold, Female Founders begin to consider risk differently. Personal risk appetite decreases and there is an increased focus on asset protection and personal return.



I want to protect what I own



Personal risk appetite



I want to maintain my personal return

SUPPORTING GROWTH WITH STRATEGY

Where there is ambition to scale a business, the intent alone is not a strategy. Ambition has to be fueled and resourced to make it happen. Female Founders are ambitious:

97% Planning to grow their business

98% Are confident in the "bigger picture"

94% Confidence in external market

82% Confidence in client marketplace

Female Founders also note high levels of confidence in operations with only:

22% Concerned about managing increased operational complexity

14% Concerned about implementing what needs to be done for growth

14% Concerned with their employees ability to implement

Does money solve everything?

When exploring barriers to making growth happen in their business, Female Founders were highly confident in execution - if they had the funds.

I don't have the funds (38%) and *the cost of employees* (32%) were the overall highest ranked barriers to growth for Female Founders across all business sizes.

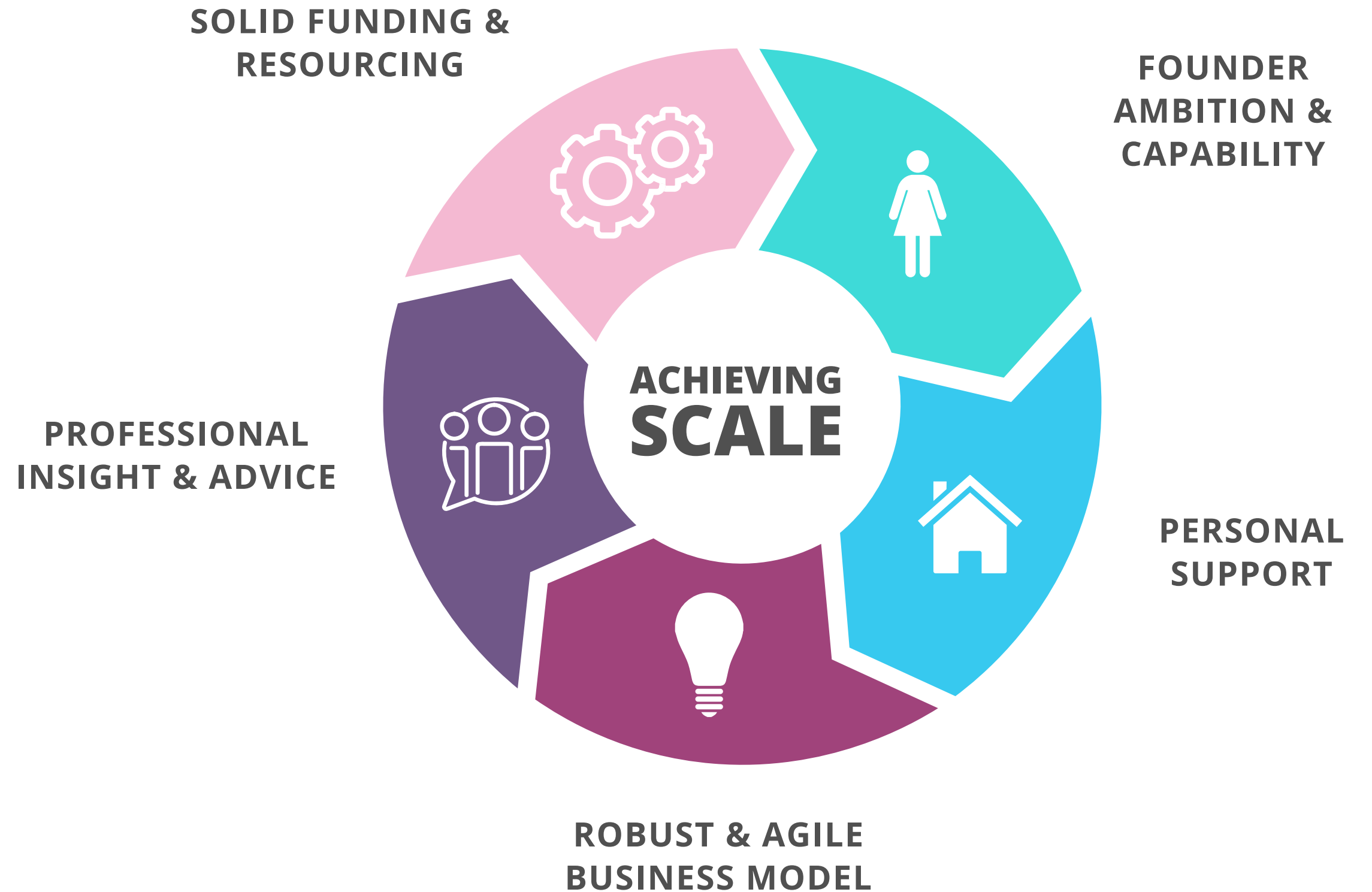
CONSIDERATIONS

SCALE IS NOT A GUARANTEE

An outcome of identifying barriers to achieving scale for Female Founders is not to propose strategies to remove entrepreneurial risk or offer a formula for success.

The journey for Female Founders is not necessarily better or worse than the overall business sector - but it is different. And it is these nuanced differences that create opportunity to develop measures that can enhance and accelerate growth.

The findings in this report can be used to inform and "stress test" approaches to support Female Founders. For Founders themselves, these insights raise awareness of the potential challenges they may face so that they can make informed decisions and take clear action towards achieving their individual ambitions.



FOUNDER SUPPORT ECOSYSTEM

There is no typical Female Founder. Developing and implementing personalised strategies to effectively encourage Female Founders to achieve positive, long term outcomes is not a one-size fits all approach and cannot be simplified into a few dot points. It will require deliberate and informed decision making supported by meaningful action from each stakeholder group in the support ecosystem to consciously acknowledge and advance the economic and social impacts of Women in business.



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REFERENCES

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- ii Moments that Matter – Understanding Australian small and medium businesses; 2017; Angela Mentis; National Australia Bank
- iii Australian Family Business Statistics; 2019 Family Business Australia
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- v ABS (2017) Business Longitudinal Data Environment (BLADE), Analysis by Department of Industry, Innovation and Science
- vi ABS 6291, September 2019 via Xero Boss Insights 2020; Numberstory Pty Ltd
- vii Advisory Board Growth Score Business Study; 2019; Louise Broekman, Advisory Board Centre
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- ix Business Succession Planning Study 2016, Louise Broekman, Advisory Board Centre

HOW TO REFERENCE THIS REPORT

Achieving Scale: Breaking Through Barriers for Female Founders, May 2020; Louise Broekman & Jan Easton, Advisory Board Centre

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Thank you to the Founders (Female and Male), Advisory Community and Supporters that contributed your voices and experiences to this report. We acknowledge the effort, skill and courage required to start and build businesses and the important role that the entire Founder ecosystem plays in supporting entrepreneurs.



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ABOUT ADVISORY BOARD CENTRE

The Advisory Board Centre is the professional body for the advisory sector. We provide research-based best practice training, certification and connection to support the professionalism, growth and impact of the advisory sector for professionals and the organisations they serve.

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The Advisory Board Centre developed and delivers the Female Founders Advisory Board programs as an Advance Queensland initiative and the Advancing Women on Boards program as part of the Advancing Women in Business strategy in collaboration with the Queensland Government.