THE PATH FORWARD
ADVANCING THE FUNDING JOURNEYS OF BC WOMEN BUSINESS OWNERS
SUMMARY REPORT

WOMEN’S ENTERPRISE CENTRE
Women’s Enterprise Centre is a non-profit organization devoted to helping BC women start, lead and grow their own business.

For over 25 years, we have provided business loans up to $150K, plus integrated services including business advice, skills training, mentoring, practical resources and a supportive community to help women business owners gain the skills, mindset, financing and networks they need to realize their business potential.

OUR PURPOSE
To empower women entrepreneurs to make an impact in the world by offering integrated services and capital that recognize, value and support their unique approach.

OUR VISION
We envision an equitable world in which all women entrepreneurs realize their full business potential.

ACKNOWLEDGMENTS
We gratefully acknowledge the financial support of Western Economic Diversification Canada.
THE PATH FORWARD: ADVANCING THE FUNDING JOURNEYS OF BC WOMEN BUSINESS OWNERS

In November 2020, Women's Enterprise Centre (WEC), conducted a survey with 419 BC women business owners to find out what funding they need, whether they're able to access it and what support can help them—during Covid recovery and beyond.

We asked both WEC-Funded and Non-WEC-Funded women business owners to share their funding experiences over three time periods: the past three years prior to March 31, 2020 (Pre-Covid); from April 1, 2020 to November 1, 2020 (During Covid); and looking ahead to the next two years.

Many recent studies have shared how women entrepreneurs have been disproportionately impacted by the pandemic; as a result, we run the risk of eroding the progress we’ve made in advancing women’s entrepreneurship in Canada. As we look towards economic recovery, funding will play a critical role, so it’s essential to understand the unique needs and growth pathways of women entrepreneurs.

This report outlines how funders and ecosystem partners can improve their strategies and funding models to ensure women entrepreneurs have the support and tools to be full contributors to the economy in BC, and across the country.
WHAT WOMEN BUSINESS OWNERS TELL US

1. SMALL LOANS = BIG DIFFERENCE.
   Women entrepreneurs most often request less than $50,000, yet smaller amounts don’t mean
   small plans. Among the top uses of funds are marketing, purchasing equipment, hiring more
   people and increasing operational capacity—all indicators that women business owners have
   goals to grow their businesses.

2. EARLY STAGE FUNDING IS CRITICAL FOR FUTURE GROWTH.
   Sixty-five percent of WEC-Funded women feel confident that other funding sources (beyond WEC
   loans) would fit their needs vs. 44% of Non-WEC-Funded women. Building positive relationships
   with the lending ecosystem early on can improve access to capital long-term.

3. THE CURRENT APPLICATION PROCESS NEEDS AN UPGRADE.
   Over half of respondents find the process of applying for [Non-WEC] funding to be somewhat or
   very difficult. Since the pandemic, we see a 4% increase in the number of women who feel the
   application process is too difficult or time-consuming. Pair that with the 28% of Non-WEC-Funded
   women who have not applied for funding because they feel they wouldn’t qualify, and the result
   is a significant gap in access. We have an opportunity now to reduce this gap by re-designing the
   application process with an inclusive lens.

4. SUPPORT ALONG THE WAY INCREASES CHANCES OF SUCCESS.
   An integrated approach combining capital with wrap-around support is offered by WEC and
   appears to be effective. Seventy-seven percent of WEC-Funded women indicate their WEC loan
   was somewhat or very easy to apply for, and 59% of WEC-Funded women received the full amount
   requested vs. 42% of Non-WEC-Funded WBO requests. Over 40% of respondents recommend
   business advisory support to complement a simplified application form by Non-WEC lenders.

5. NEW MODELS WILL INCREASE ACCESS.
   The majority of respondents (56%) do not feel that the types of funding currently available fit
   their needs. This may be due to misaligned growth expectations, a difficult application process
   or inflexible terms. Suggestions for new models include: funding for small businesses, sole
   proprietors and self-employed women; alternatives to a personal credit check in the eligibility
   criteria; and offering smaller amounts of funding over time.

6. BROADER QUALIFICATION CRITERIA WILL ENCOURAGE DIVERSITY AMONG ENTREPRENEURS.
   About one-third of respondents’ requests for Non-WEC funding in the past three years were
   declined. Of those, the majority of women say they were turned down because they didn’t have
   enough collateral. Broadening the qualification criteria, including redefining risk, will attract a
   more diverse group of entrepreneurs. Some women may have a higher risk profile up front, but
   startups founded and co-founded by women are reported to perform better over time.

7. GROWTH MINDSET IS STRONG.
   Despite the pandemic, 91% of women entrepreneurs are optimistic about the future, and are
   focused on attracting new customers and enabling growth (47% expect to hire new employees
   in the near future). Nearly 80% of women entrepreneurs plan to apply for funding in the next
   two years. This suggests that women entrepreneurs want to grow, but at their own pace. A
   recent study by the Brookfield Institute for Innovation and Entrepreneurship finds that women
   entrepreneurs are reframing the “growth at all costs” mindset into a more holistic, balanced
   approach that suits their life circumstances and needs. New funding models aligned with this
   approach will support existing gaps.
FUNDING EXPERIENCES OF BC WOMEN BUSINESS OWNERS

### PRE-COVID PATHWAYS
No two journeys are the same

- 63% of women business owners request less than $50k
- 61% of requests approved, with many funds used for growth-oriented purposes
- 60% of respondents did not apply for funding. Women thought they would get turned down

### PANDEMIC IMPACT
A bump in the road

- 63% experience revenue decline
- 43% of women say current funding models don’t fit their needs
- 26% apply for government funding and grants
- >60% access advisors, online education and/or mentorship

- 61% forced to temporarily close business
- 12% due to lack of childcare
- 91% optimistic about future
- 63% experience revenue decline

### FORGING AHEAD
Women are optimistic, but change is needed

- 77% anticipate needing funding
- 91% optimistic about future

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<th>INTEGRATED APPROACH</th>
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<td>To support their success, women want access to Business Advice/Coaching; Workshops and webinars; and Mentoring</td>
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Access to capital is a critical factor that impacts the startup and growth of women-owned businesses. Insufficient capital and financing has been found to be a more significant reason for business discontinuance among women than men, and access to funding is one of the main barriers to growth for women entrepreneurs, which has significant implications for the global economy.

BC women entrepreneurs are less likely to have paid employees or operate in high-growth industries, which again can affect their ability to access different funding sources. Several studies have found that women entrepreneurs are less likely to seek and receive financing than men.

The pandemic has had a significant effect on small businesses in BC, including lower sales, staff layoffs and reduction in staff hours (BC Stats, 2020). The current crisis has exacerbated the challenges and disadvantages that women-owned businesses already experience.

A significant proportion of women-owned businesses are micro-enterprises, and many represent sectors hardest hit by the pandemic including tourism and the service industry. In addition, women still carry the majority of household care responsibilities; 24% of women business owners have kids under 18 and 53% have increased their time spent on childcare since the pandemic.
The varied funding pathways for women consist of many steps along the way. Just as their growth is a journey, so is the process of improving access to capital for women business owners. The need is there: 77% of women plan to apply for funding in the next 2 years, yet 61% say current funding options don’t fit their needs.

**MARKETING & AWARENESS**
- Only 46% of business service providers in BC believe the needs of their women clients differ from their male counterparts, and only half of service providers track their clients by gender.
- Only 16% of women entrepreneurs feel that banks and credit unions respond to their needs as a woman business owner, and less than 30% feel reflected in lenders’ marketing.
- The symbols, role models and language that lenders choose in their marketing contribute to unconscious bias and can be a significant barrier to accessing capital.

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**APPLICATION PROCESS**
- Over 40% of women business owners suggest a simplified application form and say advisory support through the process could improve the experience.
- When we see biased outcomes in lending, it means there’s bias built into the processes and decision-making.

**ACCESS & APPROVAL**
- The most common amount requested by women business owners is $10,000 - $50,000, followed by <$10,000 and between $50,000 - $150,000.
- Women entrepreneurs are risk-astute in their approach to growth—not risk-averse, as they have been traditionally characterized. Their slower, more intentional and informed path includes only taking on funding that is essential at each stage, and thus contradicts the traditional definition of success as fast growth.
- This may trigger a higher risk profile up front; however, by recognizing the value in different growth paths and adapting funding criteria to support different models, funders will be able to diversify their portfolio, mitigate risk and most importantly, support more diverse businesses to thrive.

**SUSTAINED SUPPORT**
- While many lenders report having programs for women, 56% of women entrepreneurs already have established relationships with non-profit organizations (the most cited being WEC).
- The supportive approach to capital is demonstrated to be highly effective; by providing integrated capital and support, Women’s Enterprise Centre has a 96% repayment rate across all lending programs, (including unsecured and high-risk lending), and no loan clients have defaulted to date as a result of the pandemic. Furthermore, 75% of WEC businesses remain in business past five years due to this holistic support vs. the national average of 65%.

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### Marketing & Awareness

#### Representation is important.

1. Understand and recognize the needs of women business owners.
2. Ensure diverse representation of client-facing managers, and senior leadership.
3. Provide specific training to client-facing managers.
4. Adjust marketing language through an inclusive lens and profile a broad range of entrepreneurs in marketing activities.
5. Track outcomes to create change.

### Funding Model

#### Design new models, not (just) marketing.

1. Design specific models to acknowledge different growth pathways and types of risk.
2. Adjust and adapt policies to support the unique needs of women entrepreneurs.
3. Look long-term, not short-term. Women entrepreneurs have an exceptional repayment rate if the financing terms align with their growth goals.

### Application Process

#### Enhance the application experience.

1. Review the application process with an inclusive lens, including adapting criteria, simplifying the application form and enabling interactions with the team.
2. Partner with a support organization to provide Business Advisory services alongside the application experience.

### Access & Approval

#### Small loans = big difference.

1. Work with women entrepreneurs to create a funding plan that aligns with their growth goals. This may mean smaller amounts of funding disbursed over a longer period of time. Creating a transparent and sustained process can help to mitigate risk for financial institutions and increase the rate of success for women entrepreneurs.
2. Reduce barriers to access by streamlining the application process for smaller loans.

### Sustained Support

#### Partner with organizations to provide sustained support.

1. As Non-WEC-Funded entrepreneurs feel that business advice (68%), skills training (57%) and mentorship (55%) are essential to their success, this is a significant opportunity to leverage existing relationships and neutralize the risk involved with expanding program parameters.
2. Partner with support organizations who can offer ongoing loan care and advisory services.

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**These recommendations focus primarily on debt financing, as a critical bridge in the early stages of business growth. However, the principles can be applied along the funding path leading into growth financing including angel investment, venture capital and private equity. When we value the broader definition of entrepreneurship and different growth pathways—and re-design systems to encompass these different needs—we can help more entrepreneurs at each step along the path, and assist their transition to the next one.**

Together, we can build a stronger pipeline of diverse and thriving businesses igniting the Canadian economy!