

## Mapping the “Missing Middle”: Determining the Desire and Dimensions of Second-Stage Women Business Owners

*As the number of women-owned businesses grows, and interest in supporting women's entrepreneurship likewise increases, it is advantageous to explore the characteristics and challenges of women business owners below the surface—especially to learn more about the unique needs of particular subgroups. One under-explored population of women business owners is the “missing middle”: women business owners who own established enterprises, yet who have not grown their firms to substantial levels of revenue or employment. Learning more about this group of entrepreneurs—who they are, how many of them there are, what barriers they may face, and how one might assist them in achieving higher levels of growth (should they desire to do so)—could have important implications for policy makers, entrepreneurship educators, business association leaders, corporate and financial institution decision-makers, other stewards of women's entrepreneurship, and even for the women themselves. This Research in Brief highlights some of the findings of a pilot survey conducted among established women business owners to investigate these very issues, and offers implications for action and additional research.*

### E<sup>1</sup>: Study Background

Most businesses in the United States are quite small, and most generally stay that way. According to the U.S. Census Bureau, 75% of all firms and 84% of women-owned firms have no employees other than the owner of the business. And, while small businesses earning less than \$100,000 account for nearly 87% of women-owned firms, they contribute only 2% of the revenues generated by all women-owned firms. In contrast, while less than 2% of all women-owned companies report annual earnings of a million dollars or more, these firms contribute 67% of all revenues generated by women-owned firms.<sup>1</sup>

Helping small firms increase their growth trajectory could thus have significant economic benefits. In fact, a preliminary look at just those women-owned firms with one to ten employees shows that doubling their employment (from one to two, two to four, five to ten ... up to 10 to 20) would add 2.2 million jobs, increasing the total employment accounted for by all women-owned firms by 31%. And, if by so doing, the revenues of those firms increased by 50%, there would be a collective net increase of \$109 billion in business

receipts added to the U.S. economy, increasing the total revenues of women-owned firms by 15%.<sup>2</sup>

While there are many policies and programs in place that target and address the needs of women business owners at the two ends of the entrepreneurial spectrum—the owners of very small or start-up businesses and the owners of very large or fast-growing, venture-backed enterprises—there is a dearth of attention being paid to the “missing middle”: the owners of small, established enterprises, especially those with revenues between \$100,000 and \$999,999. This population has been underserved by formal entrepreneurial education and training as well as by peer and mentoring networks.

This Research in Brief takes a look at some of the key findings of a pilot survey conducted in 2006 among a subset of members of the National Association of Women Business Owners. This project was undertaken jointly by Womenable and The Center for Women's Entrepreneurship at Chatham University. A total of 227 women responded to an online survey, 92 of whom met our definition of the “missing middle”: women who have owned and operated their businesses for at least three years and reported 2005 revenues between \$100,000

and \$999,999. (See the Study Methodology section for more detailed project information.)

## E<sup>2</sup>: Key Findings

While this survey was relatively brief and was designed as a pilot study to assess issues for future exploration, it nonetheless contains some very interesting and provocative information. In this brief report of key findings, we focus on three areas of interest:

- **DESIRE:** Do women business owners in the “missing middle” want to grow, are they currently growing, and are they satisfied with their rate of growth?
- **DIFFICULTIES:** What, if any, barriers are they encountering, and what forms of assistance do they themselves feel they need to achieve higher levels of growth?
- **DIMENSIONS:** Just who and how many women business owners comprise the “missing middle”?

### Assessing the Desire for Growth

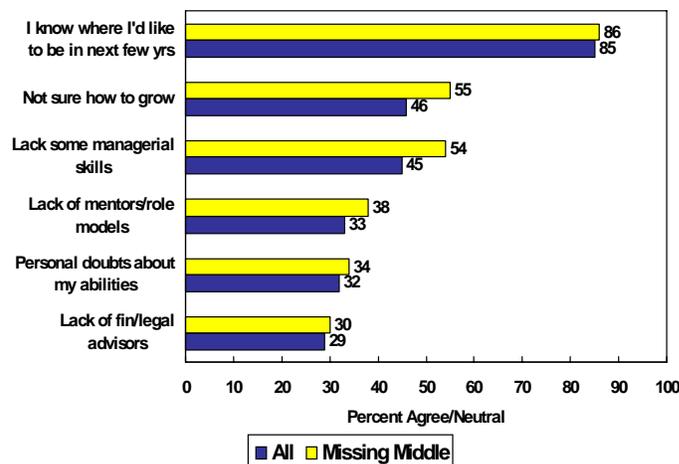
One question frequently asked about small or slow-growing firms in general is whether their owners actually wish to grow; the implications being that if they wanted to grow they would, that smaller or slower growing firms are “lifestyle” businesses,<sup>3</sup> and that time and attention might be better spent nurturing or supporting the owners of firms that are already growing at a certain rate, or that have already reached a certain level of business accomplishment.

In our survey, respondents were asked a series of questions about their motivations for getting into business, their current growth goals, and their levels of revenue and employment in the previous year (2005) and two years prior (2003). From this series of questions, a growth typology was developed—combining an evaluation of actual growth over the past two years<sup>4</sup> with the extent to which they are aware of and seeking resolution to several potential barriers to growth.<sup>5</sup>

This growth typology shows that the women business owners surveyed are fairly evenly distributed in terms of reported recent growth, most are interested in achieving higher levels of growth, and most are in search of some assistance to achieve it. A further look uncovers some interesting differences between the “missing middle”, small/ young firms<sup>6</sup> and firms with \$1 million or more in revenue (\$1M+ firms).

- The actual change in employment and categorical change in revenues from 2003 to 2005 are combined into an overall measure of growth achievement. In doing so, we find that approximately one-third of those surveyed (36%) saw negative or no growth during that two-year period, 36% saw moderate growth, and 28% witnessed fast growth.
- The “missing middle” showed much the same: 38% had static or declining employment or revenue, 33% grew at a moderate pace, and 29% grew at a fast rate between 2003 and 2005. Small/young women-owned firms were quite bimodal: 42% showed flat or declining growth, 49% grew fast, and only 9% grew moderately over the period. Women-owned firms with \$1 million or more in sales were the opposite: a 53% majority grew moderately, 25% showed flat or declining employment or revenue change, and 22% grew at a fast rate between 2003 and 2005. *Thus, missing middle women business*

## Most Women Have a Vision for Future Missing Middle Lack Some Growth Tools, Skills



*owners are not all stuck in a no-growth mode—most are, in fact, growing their firms.*

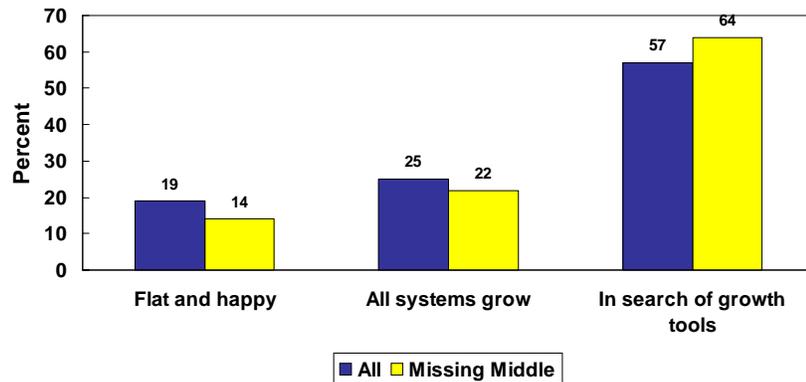
- Most of the women business owners surveyed would like to grow their businesses. Fully 85% of all of those surveyed, and 89% of the missing middle, pick one of three growth-oriented business goal statements over three status quo/sell or close statements. In addition, just 39% of all of those surveyed and 35% of the missing middle, disagree with the

statement that “how fast my business grows is secondary to other, more important goals I have for my business.” *Thus, missing middle women business owners are no less likely than the average woman business owner surveyed to have growth as a business goal.*

- When given several statements about business growth and potential barriers to growth, missing middle women business owners are found to be more likely than either small/young firm owners or \$1M+ owners to feel that they lack some of the managerial skills they need to grow and that they have a hard time delegating. Further, they are less likely to say that they have a clear idea about where they would like their business to go over the next several years. Both the missing middle and the small/young women business owners surveyed differ from \$1M+ women business owners in that both groups are much more likely to say they’d like to grow but don’t know how, and are less likely to feel that their firms are growing fast enough already. *Most missing middle women business owners are therefore open to obtaining assistance with growth issues, and many wish to find it.*

Combining these findings into the afore-mentioned growth typology finds that just 19% of those surveyed are “flat and happy”, meaning that they are not growing and are not uncomfortable with that situation. Another 25% of those surveyed are “all systems grow”, meaning that they are experiencing positive employment or

## Most WBOs Wish to Grow, Are In Search of Assistance Missing Middle More Likely to be Seeking Help



revenue growth and do not see major impediments ahead for future growth. The remainder of those surveyed—a 57% majority— would like to grow their businesses and feel that they could use some assistance with business growth and personal development issues.

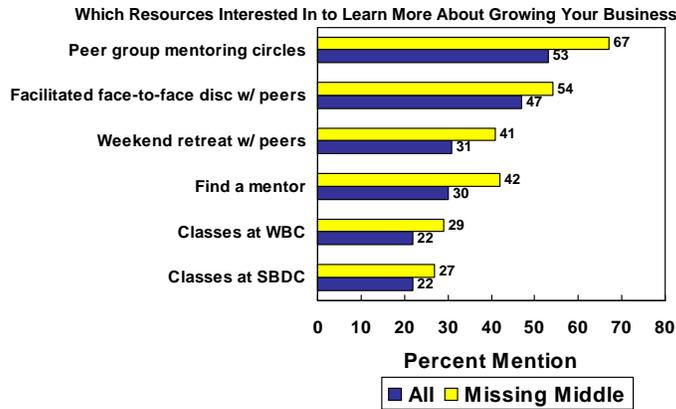
Women in the missing middle are more likely than average to be in search of assistance: 64% of them are in search of growth tools, while just 22% are “all systems grow” and 14% are “flat and happy”. There is thus just as strong a desire for growth—and a greater than average need for assistance to achieve that goal—among the “missing middle” women business owner population compared to the average woman business owner.

### What Do “Missing Middle” Women Want?

The second key question of interest is to assess what barriers might be constraining the growth rates of women business owners in the “missing middle”, and what these women themselves feel would assist them in pursuing their business growth goals.

In the previous section, we saw that most of the women interviewed do wish to grow their businesses, but many don’t feel they know how to go about it. Just over half (54%) of missing middle women business owners say they lack managerial skills, and 38% say they lack mentors or role models, compared to 45% and 33% of all of the women surveyed.

## Peer Group Learning, Mentoring Valued Over Classroom Learning Missing Middle WBOs Especially Interested



Querying the women about what types of resources they would be interested in using yielded very interesting results. When given a list of 15 types and sources of information and education, women business owners in the missing middle showed a greater than average appetite for nearly all of them. Of greatest interest are the following:

- Women business owners in the missing middle want to learn from one another. Fully two-thirds (67%) of missing middle women business owners, compared to 53% of all women surveyed, would be interested in peer group mentoring circles.
- Missing middle women business owners would benefit from mentoring. Over 4 in 10 (42%) of missing middle women business owners are interested in finding a mentor, compared to just 30% of all of the women surveyed.
- The desire for personal contact tops interest in online learning, but a significant number are open to technology-enabled education. While attending

conferences and participating in facilitated face-to-face discussions receive higher levels of interest by all women surveyed, including women in the missing middle, a significant share are open to such technology-enabled learning as: online classes (41%), facilitated online discussions (34%), facilitated conference calls (29%), and web-based training (29%)—all at levels higher than the average woman business owner surveyed.

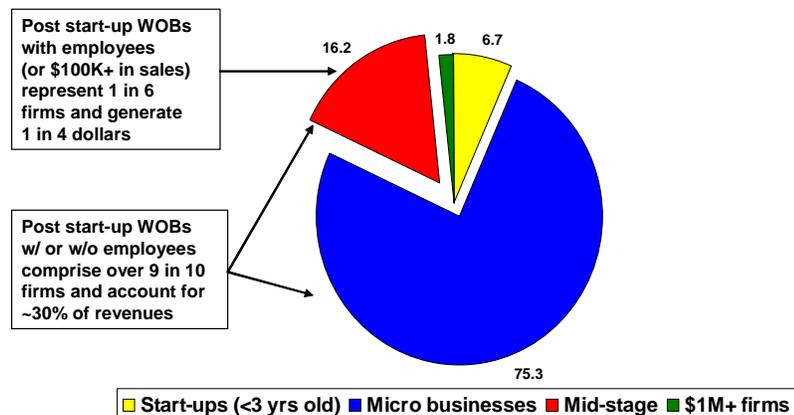
- Experiential learning is favored over traditional classroom-style learning. All of the classroom-style

services tested rated below more experiential offerings such as peer roundtables, mentoring, local workshops, and attending a weekend retreat with peers.

### Scoping and Sizing the Missing Middle

A third question of interest is just how many women-owned firms in the country would be considered to be members of the “missing middle”. To answer that question, we turn to data from the U.S. Census Bureau. From the 2002 Census of Women-Owned Firms,<sup>7</sup> we

## Defining the Missing Middle



Source: Womenable calculations based on data from US Census Bureau, 2002

are able to segment the population of women-owned firms by employment and revenue size of firm, as well as determine an approximate share of women-owned firms that are less than three years old.<sup>8</sup>

At the two ends of the entrepreneurial spectrum, we find that approximately 7% of women-owned businesses are start-ups, that is, have been in business for less than three years, while just under 2% have \$1,000,000 or more in revenues. The remaining 91% of the women-owned business population consists of 75% micro-businesses (defined as firms that are three or more years old, with revenues under \$100,000 and no employees other than the owner) and 16% that could be considered mid-stage firms (meaning that they are three or more years old and either have between \$100,000 and \$999,999 in revenues or have less than \$100,000 in revenues but have paid employees other than themselves).

So, depending on whether one includes only mid-stage firms or also includes micro-businesses in the definition, “missing middle” women-owned firms could comprise anywhere from 1 in 6 (16%) to 9 in 10 (91%) of all women-owned firms.

From a sales perspective, firms with \$1M+ in sales, as stated earlier, account for 67% of all women-owned sales. Firms with less than \$100,000 in sales contribute 10% of all revenues—leaving one-quarter (23%) of revenues accounted for by firms generating \$100,000 to \$999,999 in sales.

### E<sup>3</sup>: Implications

This exploratory study may raise more questions than it answers – indeed, that was an important objective of this effort. Nonetheless, these preliminary findings suggest that:

- The stewards of women’s entrepreneurship—educators, corporate and financial institution decision-makers, policy-makers, business association leaders, and others—would do well to pay more particular attention to this population, and learn more about their unique needs. Common perceptions that the “missing middle” want to stay that way appear to be unfounded. Most of the missing middle women business owners interviewed in this survey would like to grow their firms, and many would seem to be stumbling a bit to find their way.

- One particularly effective way to start may be simply providing forums for missing middle women business owners to find one another, and to begin to share common experiences. Of course, beyond that, facilitated discussions imparting growth strategies would certainly prove to be very beneficial, and would undoubtedly be met with great enthusiasm by these women.
- Linking these missing middle women business owners with mentors would also likely prove to be very successful. Research conducted by the National Women’s Business Council several years ago<sup>9</sup> pointed out the efficacy of mentoring for mid-stage women business owners, especially in linking them with mentors that are one or two stages beyond— but not too far advanced—from the protégée’s own level of business accomplishment.
- Public sector programs that offer business training and technical assistance are frequently too narrowly focused on start-ups. The sheer size of the missing middle alone (16% or 91% of the population of women-owned firms, compared to 7% that are start-ups) should point out that a greater focus on this population could yield a positive return on investment—to say nothing of the strong appetite for assistance uncovered among this population in the survey.

While it is suggested that these findings should be of great interest to a number of key audiences, and are in some ways quite provocative, it is also recommended that they be corroborated and expanded with a richer research effort—one that would not only include a more nationally-representative sample of women business owners, but men business owners as well. Womenable and the Chatham Center for Women’s Entrepreneurship look forward to engaging with other interested parties in such an effort.

### Study Methodology

The findings reported here come from a pilot survey conducted in the Spring of 2006 among a subset of members of the National Association of Women Business Owners. After conducting two exploratory focus group discussions in February 2006 among women who had owned their firms for three years or more and fell within the \$100,000 and \$999,999 range of annual revenues (our working definition of the “missing middle”), a quantitative survey instrument was developed and administered online to a sample of

members of the National Association of Women Business Owners (drawn to include those most likely to fall within our definition of the missing middle). A total of 227 women responded to the survey during our open interview period from mid April through mid May 2006, 92 of whom met our working definition of the “missing middle”: women who have owned and operated their businesses for three or more years and reported 2005 revenues between \$100,000 and \$999,999. Most of the remainder of the survey population (91, or 40% of respondents) reported revenues exceeding \$1 million, and a few (33, 15% of the sample) were either smaller or newer in business than our working definition of the “missing middle”.

confidence interval—meaning that, 95 times out of 100, survey responses will fall within those ranges when compared to true population values. Of course, as this survey was conducted among a “convenience sample” of NAWBO members, and was conducted online, survey respondents may differ from the average woman business owner in the United States in several important respects. Therefore, this pilot study and the findings reported in this Research in Brief do not purport to represent the views and opinions that may be uncovered in a survey of a broader, more nationally-representative population of women business owners. (Indeed, conducting just such a study is our keen interest going forward.)

A study population of N=227 and N=92 have sampling errors of +/- 6.7% and 10%, respectively, at the 95%

*Womenable is a research, program and policy development consultancy whose mission is to enable women's entrepreneurship worldwide. Womenable works with the stewards of women's entrepreneurship—policy makers, multi-lateral organizations, corporate decision makers, entrepreneurial support organizations, and the women's business community—on efforts that will result in better systems to support growth in the number and economic clout of women-owned enterprises. This publication is © Womenable, May 2007. For any questions or comments about this publication, or to learn more about Womenable, please visit our web site ([www.womenable.com](http://www.womenable.com)) or contact us at +1-231-326-3300 or [jweeks@womenable.com](mailto:jweeks@womenable.com).*

*The Center for Women's Entrepreneurship at Chatham University was established in 2005 to provide greater support for women entrepreneurs in the Pittsburgh region. Designed to assist both current and future women business owners, The Center provides new and innovative services and programs that are unique to both established and start-up businesses owned by women. For more information about The Chatham Center for Women's Entrepreneurship, please visit: <http://www.chatham.edu/CCWE/>.*

*Womenable and The Chatham Center for Women's Entrepreneurship would like to express our gratitude to the board and staff of the [National Association of Women Business Owners](#), who granted anonymous access to a sampling of their membership for this research, as well as to those women business owners who took the time to participate in this study. Founded in 1975, NAWBO propels women entrepreneurs into economic, social and political spheres of power worldwide. More than thirty years later, NAWBO is still the only organization that solely represents the interest of women entrepreneurs in all industries. The organization's mission is to strengthen the wealth-creating capacity of its members and promote economic development; to create innovative and effective change in the business culture; to build strategic alliances, coalitions and affiliations; and to transform public policy and influence opinion makers. Visit [www.nawbo.org](http://www.nawbo.org) for more information.*

## Endnotes

<sup>1</sup> U.S. Census Bureau. *Women-Owned Firms: 2002. 2002 Economic Census Survey of Business Owners*. Published January 2006. Available at: <http://www.census.gov/csd/sbo/women2002.htm>. Census figures reported include only those firms that are 51% or more women-owned.

<sup>2</sup> Womenable calculation using special data provided by the U.S. Census Bureau.

<sup>3</sup> This term commonly refers to businesses that are focused more on income replacement than on the creation of wealth, and is frequently used in a dismissive or derogatory manner.

<sup>4</sup> Growth rates in revenue categories and in actual employment from 2003 to 2005 were assessed, and respondents were put into three categories: negative/no growth, moderate growth (growth in just one revenue category or employment growth of less than 100%), and fast growth (a jump of 2 or more revenue categories AND 100%+ actual employment growth). Revenue categories were: under \$50K, \$50-99K, \$100-249K, \$250-499K, \$500-999K, \$1-4.9M, \$5-9.9M, \$10M+.

<sup>5</sup> Respondents were given a score of 1 if they answered 3-5 on a 5-point scale of agreement to six statements: “I’d like to grow my business, but I’m not sure how to do it”, “I feel I lack some of the managerial skills I’d need if my business grew larger”, “the lack of personal mentors or role models is keeping me from achieving faster growth”, “the lack of good external legal or financial advisors is holding me back from achieving faster growth”, “I have a hard time delegating major responsibilities to my senior staff and others”, and “I have personal doubts about my ability to successfully grow my business”. If respondents disagreed with 5 or more of the 6 statements, they were deemed to be satisfied with their level of growth, if they agreed with 2 or more statements they were deemed to be in search of some assistance with growth.

<sup>6</sup> Small/young firms are defined as those either with less than \$100,000 in revenue or who have been in business for less than three years.

<sup>7</sup> Op cit. See endnote 1.

<sup>8</sup> Between 1997 and 2002, the number of women-owned firms increased by 1,072,449 – or approximately 215,000 per year.

<sup>9</sup> National Women's Business Council. *Mentoring in the Business Environment*. Published 2003. Download the report at: <http://www.nwbc.gov/ResearchPublications/listReports.html>