Pure Perseverance: A Study of Women's Small Businesses in Colombia

Understanding success factors of women's and men's small businesses in Bucaramanga, Colombia

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"I'm convinced that about half of what separates the successful entrepreneurs from the non-successful ones is pure perseverance."

STEVE JOBS, FORMER CO-FOUNDER, CHAIRMAN AND CEO OF APPLE (1955-2011)

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EXECUTIVE SUMMARY

Supporting women's businesses has become a topic of growing interest to governments and mainstream development institutions in recent years. Declarations to address women's unequal access to economic opportunity at the G-20 Summit, the development of UN Women, and the Goldman Sachs 10,000 Women Initiative reflect that mainstream institutions are adopting a role in improving women's economic opportunities throughout the developed and developing world. This study aims to inform thinking around these initiatives, using a detailed case study in Colombia as a basis. We begin by posing the question, why support women's businesses as opposed to all small businesses in a developing country, arguing that there are multiple potential reasons including economic development, investment in families and promoting gender equality. We then discuss some of the success and failure factors that our case study identifies in women's and men's businesses and link these to potential interventions that can best serve women entrepreneurs. This understanding feeds into a parallel objective, to evaluate a business training and business strengthening program for women with small businesses in several cities in Colombia: Mujeres ECCO. Our study combines primary data analysis from the databases of the Chambers of Commerce of Bucaramanga and Cartagena with interviews with 120 small business owners as well as participants in the Mujeres ECCO program to gain further insight into the differences between men's and women's and successful and unsuccessful businesses and the factors influencing those differences, and to better understand how one program worked to specifically address women's business needs. These were complemented by a literature review and focus group discussions and interviews with business owners and stakeholders in Mujeres ECCO and other programs.

WHY WOMEN?

A thorough analysis of why and how women's small businesses succeed and fail and the achievements of programs aimed at strengthening women's businesses should be considered in light of the purpose *of focusing on women's businesses*. Many reasons for doing so are mentioned by stakeholders and researchers. Most of these fall into one of three categories:

WHY WOMEN?

Economic development. Women-owned businesses constitute a significant proportion of businesses throughout Latin America. The percentage of women-owned ***micro*** businesses ranges from 33 percent in Argentina to 50 percent in Honduras. Women-owned ***small*** businesses represent between 18 and 33 percent of the small businesses throughout Latin America. Supporting these businesses can promote economic development, creating employment and increasing income. ***However***, men's businesses often grow larger and faster than women's, so development alone may not justify allocating investment resources to women over men. It may justify allocating technical assistance to women over men, however, to address specific needs.

Benefitting families. Women are more likely to use increases in income for the benefit of their families. *However,* diverting business income to family needs may in itself limit growth of women-owned businesses and families and children may be better helped by more direct interventions, so family benefit alone may not justify the focus on women's businesses.

Equality. Gender equality in business promotes equal opportunity for financial independence. The differences in success of men's and women's businesses and the particular challenges faced by women in achieving growth and profitability can in themselves justify interventions to help level the playing field.

While reasons for supporting women-owned SMEs may be numerous, the objectives of these interventions vary and the relationships between the rationales listed above should be kept in mind, as they will influence the type of interventions we choose, where and on whom those interventions are targeted, and how their success is measured.

MEN'S VS. WOMEN'S BUSINESSES

Women's businesses in Bucaramanga are more likely to be **informal** and to be individually owned (rather than corporate structures), where 67% of women's businesses compared to 54% of men's were **informal**. They are 28% **smaller** than men's businesses in terms of assets and 30% **smaller** in terms of sales, even controlling for formality. They **grow more slowly** in terms of asset growth, especially among informal businesses, though revenue growth is similar between men's and women's businesses. Most of these trends are mirrored in Cartagena, with sharper differences between men's and women's businesses in some cases. Women's businesses tend to concentrate in less profitable **sectors** than men's businesses.

HOW ARE MEN'S AND WOMEN'S BUSINESSES DIFFERENT?

Among the businesses we studied, women's differed from men's in many important respects, most of which confirmed differences noted in the literature:

WHAT ARE THE SUCCESS FACTORS AND OBSTACLES FACED BY SMALL BUSINESS OWNERS, AND HOW DO THESE RELATE TO MEN AND WOMEN?

Literature on women's businesses and gender and entrepreneurship offers some insight about the success factors and obstacles women face in business. Many common success factors may be less prevalent in or accessible to women's small businesses. These include both external resources such as free labor from family members and access to strong networks, and personal characteristics and motivations such as an opportunity rather than necessity motive for starting the business. Our research in Bucaramanga explored some of the many factors contributing to success and failure of small businesses, focusing on the differences between men and women. The following is a summary of what we learned:

SUCCESS FACTORS & OBSTACLES

SOCIO-ECONOMIC CHARACTERISTICS

A minimum level of **wealth** (strata 3 or 4) may contribute to success of a business, but being in the highest strata is not correlated with greater likelihood of success. Successful entrepreneurs are more likely to have higher levels of **education**, though the correlation is stronger for men than for women. Successful entrepreneurs have fewer **children** on average than unsuccessful, though this difference is greater for men than for women.

While **younger** people have less experience and less access to start-up capital, their youth can also be an advantage, especially for women. In our sample, successful entrepreneurs were on average 11 years younger (for women) and 5 years younger (for men) than unsuccessful.

SUCCESS FACTORS: BUSINESS OWNERS' OPINIONS

All categories of business owners cited consistency, hard work, and organization as crucial to success. Successful entrepreneurs were far more likely than unsuccessful and men were more likely than women to mention **help from family** as a key success factor. Because men were more likely to be married, this favored men overall. Family help can come in the form of free labor, financial support, or emotional support.

Successful business owners were more likely than unsuccessful to mention customer service, market knowledge, access to loans, and networks. Unsuccessful business owners focus more on having a **good price**, which may indicate that they are working in highly commoditized areas or that they are competing too much on price. Women seem also to compete more on price than men.

OBSTACLES: BUSINESS OWNERS' OPINIONS	Successful business owners mentioned market knowledge and positioning as key challenges, while unsuccessful business owners emphasized financial challenges more. The challenges mentioned most often by women suggest that their businesses may be more vulnerable than men's. In overcoming obstacles in the past, unsuccessful businesses have relied more on loans and successful business owners on improving market knowledge. This seems to reflect differences in the challenges faced by the two groups, and perhaps also a greater reliance on debt among the unsuccessful owners.
FORMALIZATION	Although there are significant costs to formalization, it also leads to important advantages in reputation and access to finance and other resources. Formalization in our sample was strongly correlated with sales and asset growth, although more pronounced for asset growth. Women's businesses in our sample were less likely to be formal than men's. Some of this difference can be explained by the difference in size (for small firms, the costs of formalization likely often outweigh the benefits), but there seems to be a subset of women who would benefit from help formalizing. Though it has been suggested in other studies that women may be more intimidated than men by the process of becoming formal, we did not find any evidence of this in our sample. Men did, however, have greater access to networks that could help them in the process.
LABOR & EMPLOYMENT	Women's businesses have fewer employees, and women are more likely than men to use temporary employees. However, women's businesses have higher labor productivity in terms of sales and profit per employee than men's. The lower number of employees in women's business is likely a reflection of both their smaller size and the greater difficulty faced by women in finding skilled employees. Women also generally felt less prepared to manage staff than men did.
RISK AVERSION & RISK CAPITAL	We find little difference in **risk aversion** between women and men, though the women in our sample may be slightly less risk averse than the men. Women were more likely to use **credit** to start their businesses, which may indicate that they are less risk averse but also likely reflects differences in the options available to men and women. Almost all successful women reinvested **profits** in their businesses, while unsuccessful women used profits for a variety of other purposes, including paying off debt and diverting some to household needs. These differences between successful and unsuccessful business owners also held for men, but were far less dramatic.
GENDER BIASES	Although not captured by our surveys, focus group discussions revealed several instances in which women faced domestic and societal gender biases. The most common were skewed household dynamics in which husbands did not support their wives' businesses or had greater control of jointly owned businesses. However, there were also instances of women suffering from harassment in typically male dominated industries.

WHAT POLICIES CAN HELP TO OVERCOME THE OBSTACLES AND ENHANCE THE SUCCESS FACTORS?

Policies aimed at supporting women's small businesses can benefit from alignment with the needs of women identified in this paper, helping them to overcome obstacles, improving access to success factors, and enhancing their existing strengths. In particular, we find that:

- Stakeholders should be vested in supporting women's small business growth to promote equitable economic and social development; although women's businesses may not in all cases work toward all of the three goals of economic development, benefitting families, and equality, taken together these three objectives create a strong case for supporting women-owned businesses.

- Supporting **younger women** can help overcome the obstacles to growth, by tapping into the advantages of youth and helping to channel women into sectors where they are more likely to succeed, but these young women will need special types of support.
- **New businesses** also need special attention and creative support, particularly in developing smart financing options and assisting with careful business planning.
- Business **training programs** for women can benefit women greatly by helping to develop practical skills such as management, marketing, and planning, but these training programs must keep women's time constraints in mind.
- **Formalization** can bring great benefits for many women-owned businesses, but we need to develop a better understanding of what women are not formalizing in order to design effective policies to reduce the barriers to formalization.
- A broader **range of financing options** should be developed to meet the needs of women business owners at various stages in the development of their businesses.
- Supporting the creation of women's **business networks**, especially formal networks, can help overcome the disadvantage they face compared to men in access to networks.
- Because the challenges women face and the opportunities to support them are so diverse, better **monitoring and evaluation** should be incorporated into programs from the start to ensure that they are meeting goals.
- Partner selection should be closely aligned with the goals of a particular program, to ensure that the right women are being reached and that partners have the capacity to meet those women's needs.

ACRONYMS AND ABBREVIATIONS

CAMARA, CAMARA DE COMERCIO, OR "CHAMBER"	Chamber of Commerce
COP	Colombian Pesos
DIAN	Dirección de Impuestos y Aduanas Nacionales de Colombia (Directorate of National Taxes and Customs)
EA	EA Consultants, Inc.
EFL	Entrepreneurial Financial Lab
GEM	Global Entrepreneurship Monitor
IDB	Inter-American Development Bank
MIF	Multilateral Investment Fund (of the Inter-American Development Bank)
MUJERES ECCO	Mujeres Emprendedoras Colombianas por la Competitividad (Colombian Women Entrepreneurs for Competitiveness), a business development program established by the Chamber of Commerce of Bucaramanga, Colombia
PJ	"Personas Jurídicas," or businesses operated by corporate entities
PN	"Personas Naturales," or businesses operated by individuals
USD	United States Dollars

› 1. INTRODUCTION

Supporting women-owned businesses can lead to economic development by incorporating women more thoroughly into the economy, enhancing productivity and creating employment. It can also benefit their families, both by increasing households' total income and putting more money in the hands of women, who are often more likely to reinvest in the household. Beyond these concrete effects, it may be justified from a simple equality perspective. The inequality of financial opportunities for women and men to seek economic independence in many countries represents a clear market failure that has repercussions in societal and economic development. Women-owned businesses tend to underperform their male counterparts in many important ways, in part due to their more limited access to many of the resources that foster success and in part due to challenges women face that are unique or uniquely significant when compared to the challenges faced by men. A more complete understanding of what those resources and challenges are, considered in light of the reasons we have for supporting women-owned businesses, can inform efforts to support women's businesses. Doing so can help ensure that efforts are tailored to the needs of women and that they are working to advance the end purposes of supporting women-owned businesses.

While supporting businesses of any size might promote these three goals of development, benefiting families, and equality, there may be important reasons for focusing on small and medium enterprises (SMEs) in particular. A growing body of literature has pointed to the "missing middle," a segment of entrepreneurs between microentrepreneurs, where significant donor attention has been given, and large and medium enterprises, which typically have access to capital and support (Kauffmann, 2005; Newberry, 2006). This missing middle straddles the small businesses of SMEs and larger microbusiness yet suffers from many of the challenges of most microbusinesses such as informality, lack of access to capital and limited managerial skills and capacity. Recent literature has pointed to the potential impact of supporting small enterprises as an engine of economic growth and employment.[1] The literature has primarily either ignored gender, or implied that men's small businesses might be better investments as they are more common, larger and have higher returns to investment than women's businesses. However, supporting small business creation and growth without taking into account the gender implications can end up excluding women from the very growth these policies are trying to stimulate. Many programs targeting small business development, because of their selection criteria or design, may implicitly favor men's over women's businesses. This exclusion results in missed opportunities, both to contribute to the development of a country's economic fabric and to encourage greater equality between men and women.

Gaps are often observed between the performance of men's and women's businesses. Rather than diverting attention away from women's businesses, efforts should be made to better understand the reasons for these gaps. Doing so can offer an opportunity to provide additional support to women's businesses to help overcome the obstacles that lead to differences in performance, and enhance the contribution of women's businesses to economic development, to their families, and to equality. Throughout the study, we consider three questions, the answers to which can inform efforts to promote women's businesses. Partial answers to these questions are highlighted in boxes throughout the text.

1 For example, Nichter & Goldmark (2009) explore the relationships between individual, firm, relational, and contextual factors and small firm growth in developing countries.

WHY WOMEN?	What do we hope to achieve by supporting women-owned small businesses?
MEN'S VS. WOMEN'S BUSINESSES	How do women's small businesses differ from men's?
SUCCESS FACTORS & OBSTACLES	What are the success factors and obstacles faced by small business owners, and how do these differ for women and men?

This study explores the differences between men and women's small businesses in Colombia and specifically in Bucaramanga. It also examines one specific intervention designed by the MIF and the Chamber of Commerce of Bucaramanga to promote women's entrepreneurship in the region, Mujeres ECCO (Emprendedoras Colombianas por la Competitividad). The study finds that businesses are still overwhelmingly male-owned and that on average, women's businesses are smaller and grow more slowly. The study further identifies the factors that have contributed to or impeded women's success in business, using both primary data collection and analysis and secondary sources. These include 120 interviews with women and men's small businesses to identify some of the success factors that can contribute to bridging the gender gap in size and growth.[2] We found that while in general, owners of small business are better off than their counterparts in the microenterprise sector, success factors are less related to socioeconomic status and education levels than to having a strong character, a good product and strong market knowledge. Persistence, for example, was frequently mentioned as a success factor for the more successful business owners we interviewed as well as having a good product and good customer service. Those who were less successful were typically competing on price and struggling to pay off loans. These findings echo the words of one of this century's most revered entrepreneurs, Steve Jobs, who said, "*…half of what separates the successful entrepreneurs from the non-successful ones is pure perseverance.*"

Understanding the factors behind the success of small businesses as well as some of the constraints to their success can help programs improve the selection of target enterprises and the types of specific support offered to help these reach their full potential in a manner that is inclusive of all genders. Understanding the specific constraints and needs of women can inform programs that address those constraints and target those needs more effectively. The Mujeres ECCO program provides an example of this type of targeted intervention. Throughout this paper, we note ways in which our findings validate the importance of some components of the program, as well as components that could be improved to better serve the women who enter it and to better achieve the program's ultimate goals. These lessons are described more fully in the evaluation in Appendix I.

2 Micro businesses are defined by the Chamber as those with assets of less than approximately USD150,000. Small businesses are those with assets between approximately USD150,000 and USD1,500,000.

2. METHODOLOGY

The two parallel objectives of this study are to generate knowledge about women's small businesses in Colombia and to evaluate the Mujeres ECCO program, financed by the MIF to promote women's participation in the Colombian economy through the creation and support of innovative and sustainable businesses. This project contributes to the MIF's gender mainstreaming initiative, which promotes gender equality and women's empowerment in the private sector and the creation and growth of micro, small and medium enterprises in the region. To accomplish these objectives, we conducted both quantitative and qualitative research on men and women's businesses in Bucaramanga, Colombia and quantitative research on their businesses in Cartagena, Colombia. The research is complemented by an evaluation of the Mujeres ECCO program. By addressing some of the observed gaps in female entrepreneurship in the region, this program offers insight into the effectiveness of particular interventions aimed at supporting women's small businesses.

The study was mainly implemented in Bucaramanga, Colombia, where the largest of the Mujeres ECCO Programs is managed through the Chamber of Commerce. While this allowed the research to draw from the extensive database kept by the Chamber, it is important to note that there may be characteristics specific to Bucaramanga that in some ways limit the applicability of findings of this study to other parts of Colombia or to other countries in Latin America. These characteristics include higher education levels, higher levels of economic activity, and personal characteristics of the women in the area, who are known for being strong and independent. These differences have made the Mujeres ECCO program easier to implement in Bucaramanga as compared to the other cities in Colombia where the program is being implemented: Cartagena, Cucuta and Barrancabermeja. Nonetheless, many of the findings in this study echo those done in other countries in the region and globally and should be a useful contribution to an understanding of women's businesses both in Latin America and world wide.

The key components of our research include:

LITERATURE REVIEW: We conducted a desk study of existing literature on the performance and characteristics of women-owned businesses and constraints to their growth. Given the limited material available on this subject, we looked at global studies for OECD and developing countries as well as studies focused on Latin America and specifically on Colombia.

ANALYSIS OF BUCARAMANGA CAMARA DE COMERCIO DATABASE: We analyzed gender-disaggregated data for a sample of 12% of approximately 55,000 businesses registered with the Camara de Comercio (Chamber of Commerce) of Bucaramanga over a five-year period (2005-2010). This data helped us to develop a profile of women's small businesses in Bucaramanga and how they differ from men's businesses based on a variety of metrics, including assets, sales, growth, indebtedness, formality, age and number. Some key limitations of this data include:

- Our sample included only those businesses that reported sales figures to the Chamber of Commerce in 2010. This is likely to exclude many of the smaller businesses with less formal accounting.[3] Approximately 20% of the businesses registered with the Chamber reported sales. We further limited our sample to those classified as micro or small businesses and in the municipalities of Bucaramanga, Floridablanca and Giron.[4]
- many of the smallest more informal businesses do not report to the Chamber, and were therefore excluded from our analysis. However, given the focus of this study is on small businesses, as opposed to micro businesses, we do not view this as a major limitation;

3 In Cartagena we were able to analyze the full database as well as gender disaggregated data for approximately 20% of the database that reported income figures. The average and median asset and income figures were much smaller for the whole database, compared to those that also reported income, indicating that the smaller businesses are less likely to report income figures.

4 Micro businesses are defined by the Chamber as those with assets of less than approximately USD150,000. Small businesses are those with assets between approximately USD150,000 and USD1,500,000.

- all data is self-reported and not verified by the Chamber, creating a risk of mistake and/or intentional misreporting;
- in particular, financial data reported by individuals (as opposed to corporate entities) is often likely to be inaccurate as most do not have formal accounting systems; and
- chamber registration fees are based on asset size, which might encourage people to understate assets.

ANALYSIS OF CARTAGENA CAMARA DE COMERCIO DATABASE: We also analyzed the data for the 23,478 businesses registered with the Chamber of Commerce of Cartagena for 2011. This data was compared to that from Bucaramanga in order to see what findings might be applicable in other regions in Colombia. In addition to the limitations above, key limitations of this data include:

- The Chamber in Cartagena does not have a gender variable in its database, thus we only have gender-disaggregated data for those businesses reporting revenues (approximately 4,810). This variable was created manually based on the name of the person or the legal representative of the business, so is subject to error;
- the Chamber was not able to provide historic figures, so we were not able to look at business growth rates in Cartagena.

TABLE **1.** Interviews with business owners

	INFORMAL	FORMAL
Women	**31**	**30**
Successful	12	15
Not	19	15
Men	**29**	**30**
Successful	14	15
Not	15	15

INTERVIEWS WITH SMALL BUSINESS OWNERS: We collected primary data through 120 interviews conducted by telephone with owners of small businesses in Bucaramanga to gather additional information on the differences between men's and women's businesses in terms of size, profitability, growth, sector, and prevalence of success and failure factors. Businesses were divided into eight groups by gender, formality, (individual or "persona natural" versus corporate or "persona jurídica"), and successful or unsuccessful ("successful" businesses were defined as those with positive growth in sales each of the last 3 years). All of these businesses reported to the Chamber for 2008-2010. As such, most had already passed the critical "early stage" of 42 months, during which businesses are most likely to fail (Allen et al., 2008).

FOCUS GROUP INTERVIEWS: As follow up to these interviews, we conducted 6 focus group discussions in Bucaramanga to delve into greater detail about success factors for men and women's small businesses, dividing participants by gender and success.

INTERVIEWS WITH PARTICIPANTS IN THE MUJERES ECCO PROGRAM: We conducted in-depth interviews with 36 women who participated in the Mujeres ECCO program (12 in person and 24 by telephone) to explore the role the program played in their businesses and the extent to which it helped their business grow and become more successful. These women underwent a rigorous selection process to enter the program, which offers business development services including technical assistance, consulting, training, and networking. Most businesses were new or very small and informal prior to entering the program.

INTERVIEWS WITH OTHER BUSINESS OWNERS: We conducted in-depth phone interviews with owners of 20 businesses newly registered with the Chamber in 2011 to explore differences in their readiness to start a business and performance compared to the women who participated in the Mujeres ECCO program. We also conducted in-person interviews with formal business owners to gain additional insight into the pros and cons of formalizing and the challenges and obstacles encountered during the process.

INTERVIEWS WITH STAKEHOLDERS IN MUJERES ECCO AND OTHER PROGRAMS: The research above was complemented by interviews with Mujeres ECCO staff in Bucaramanga and Cartagena, consultants directly implementing the Mujeres ECCO training, and other organizations that work with women's small businesses in Bucaramanga, including Fundación COOMEVA, Fundesan, Fondo Regional de Garantias, and local universities.

The remainder of this paper is divided in five sections. Section 3 briefly reviews the global and regional literature and identifies how women's businesses tend to differ from men's and some of the success and impeding factors observed. Section 4 provides an overview of the quantitative differences observed between men and women's formal and informal businesses in Bucaramanga based on the Chamber of Commerce data. Section 5 contains the main results of our research, including the success and impeding factors to women's businesses in Bucaramanga. Finally Sections 6 provides a synthesis of the findings and policy recommendations for the IDB/MIF, policy makers and other stakeholders on how they can better promote women's small businesses in their projects.

3. LITERATURE REVIEW

A. WHY FOCUS ON WOMEN-OWNED BUSINESSES?

There are a number of different justifications for supporting women's businesses. These justifications tend to fall into the categories of economic development, benefitting families, and equality. Supporting women-owned businesses has the potential to lead to important advances in all three of these areas; while the justifications on their own may have some weaknesses, taken together, they create a strong case for investing in programs to promote the growth of women's businesses.

The economic development justification centers on the potential contribution women-owned businesses can make to their countries' economies (IFC, 2011). Women constitute a significant percentage of entrepreneurs (Kelley et al., 2011[5]), and small businesses are considered to be a major contributor to growth in developing countries. The percentage of women-owned micro businesses ranges from 33 percent in Argentina to 50 percent in Honduras. Women-owned small businesses represent between 18 and 33 percent of the small businesses throughout Latin America (Bruhn 2009). Further, there is at least suggestive evidence that women's businesses in particular can promote economic growth (Bullough, 2008[6]; Weeks & Seiler, 2001[7]). However, the economic development justification is unlikely to be sufficient on its own to justify allocating scarce resources to promote women's businesses rather than men's. Men's businesses tend to be larger and faster-growing than women's (see Section 3(b) below), and so investment in men's businesses may yield greater returns than investment in women's businesses. De Mel, et al. (2009) find that grants given to men's businesses led to higher enterprise survival rates and higher profits, but female-owned businesses showed no short- or long-term impacts.

WHY WOMEN?

LITERATURE

Economic development. Women-owned businesses constitute a significant proportion of businesses throughout Latin America, and supporting them can promote economic development, creating employment and increasing income. *However*, men's businesses often grow larger and faster than women's, so development alone may not justify allocating resources to women.

Benefitting families. Women are more likely to use increases in income for the benefit of their families. *However,* diverting business income to family needs may in itself limit growth of women-owned businesses and families and children may be better helped by more direct interventions, so family benefit alone may not justify the focus on women's businesses.

Quality. Gender equality in business promotes equal opportunity for financial independence. The differences in success of men's and women's businesses and the particular challenges faced by women in achieving growth and profitability can in themselves justify interventions to help level the playing field.

Another justification often advanced for investing in women-owned businesses is that doing so will **benefit families and children** more than investing in men's businesses. Numerous studies have found that women tend to allocate more resources to their families, in particular to their children, than men do (e.g. Pitt & Khandker, 1998; Holvoet, 2004; Kennedy & Peters, 1992). By increasing both the total household income and the share of income that women have control over, supporting women's

5 In factor-driven economies, 19.9% of women between the ages of 18 and 64 are starting or running new businesses; this percentage is 9.7% in efficiency-driven economies and 3.9% in innovation-driven economies.

6 Finding that women's participation in business leadership is highly correlated with GDP growth.

7 Citing analysis by the National Foundation of Women Business Owners, finding a positive, but not particularly strong, relationship between the level of women's economic activity and economic growth, but a much stronger relationship between the share of women who are employers or self-employed and GDP growth, which could explain up to 19 percent of the change in GDP, other factors being equal.

businesses could thus lead to greater and more immediate household benefits. However, this allocation of resources toward family needs can often come at the expense of the business. For example, Fafchamps et al. (2011) find in Ghana that when cash grants are given to female and male entrepreneurs, women, especially those with lower initial profits, appear to spend most if not all of the grant on household expenditure and transfers to non-household members rather than investing it in the business. Interestingly, in-kind grants given to women who had initially higher-profit businesses led to significant further increases in profit, while no effect was found when the same grants were given to women with lower-profit businesses. This may suggest that the perceived return on investment on a child's education, for example might be seen as higher than that of a small fledgling business.

Finally, the mere existence of challenges specific to women's businesses may justify focusing on them from an equity and empowerment perspective (gender equality). Mason and King (2001) and World Bank (2011) describe gender equality as a core development objective in its own right, although it can also contribute to a wide variety of other development objectives. The United Nations has placed an increasingly greater focus on this issue, including its UN Women initiative. UNFPA cites "gender equality implies a society in which women and men enjoy the same opportunities, outcomes, rights and obligations in all spheres of life. Equality between men and women exists when both sexes are able to share equally in the distribution of power and influence; have equal opportunities for financial independence through work or through setting up businesses; enjoy equal access to education and the opportunity to develop personal ambitions."

The three goals of economic development, benefitting families, and equality are not mutually exclusive; in fact, they can overlap in significant ways. Duflo (2011) describes a "bi-directional relationship" between economic development and women's empowerment: economic development on its own can contribute to greater equality between men and women, while empowerment (including improvements in access to earning power and other resources) can in turn foster development. After reviewing evidence of both of these relationships, she concludes that continued attention should be paid to each goal, and that doing so can help to promote both.

While reasons for supporting women-owned SMEs (rather than focusing on other segments) may be numerous, the relative importance of each motivation should be kept in mind, as it will influence the type of interventions we choose, where and on whom those interventions are targeted, and how their success is measured. For example, the goal of broader economic development might be better served by focusing on larger businesses that have already overcome some of the early barriers and achieved a degree of success or on women in a slightly higher income category who face fewer obstacles (as the Mujeres ECCO program tends to do), while the goal of equality might be better served by focusing on the most disadvantaged. Likewise, the goal of economic development might justify focusing on younger or older women who have fewer responsibilities in the home and thus more time to devote to their businesses, while the goal of benefitting families may be best served by focusing on women who have young children. We return to this issue in our evaluation of the Mujeres ECCO program (see Appendix I).

B. HOW ARE WOMEN'S BUSINESSES DIFFERENT FROM MEN'S BUSINESSES?

MEN'S VS. WOMEN'S BUSINESSES

LITERATURE

Women's businesses tend to be smaller, slower-growing, and in many cases less productive and profitable than men's businesses. Women also often concentrate in the trade sector, which is less profitable than male-dominated sectors such as manufacturing, construction, and agriculture.

Firm size and sector selection explain some but usually not all of the difference in success between men's and women's businesses.

A large body of literature has explored the differences between men and women's businesses, and much of it suggests that women's businesses tend to be smaller and less successful than men's. Many of these studies have focused on registered, formal businesses in the developed world (e.g. Coleman, 2007; Robb & Wolken, 2002), although several new studies have found similar results in lower-income contexts and amongst informal businesses. Amin (2010) found strong evidence that informal women's businesses in six countries in Africa are smaller (in terms of both sales and number of employees) than men's businesses. World Bank (2010) found that in Latin America, women owners are concentrated among the smallest firms, those with fewer than five employees. Similarly, a MIF study of the constraints to women's microenterprises in six countries in Latin America found that women's informal businesses tend to be smaller than men's (Powers & Magnoni, 2010). Bruhn (2009) found that women's businesses in eight countries in Latin America tend to be smaller and, controlling for firm size, less profitable than men's businesses. She also found that small (but not medium or large) women-owned businesses are less productive[8] than men-owned businesses of the same size. Bardasi et al. (2011) found that in Latin America, firms[9] owned by women have significantly lower growth in terms of both employment and sales and are significantly less efficient than firms owned by men; evidence of these differences is stronger in Latin America than in the other regions studied.

Firm size may influence some of these differences in business outcomes. Sabarwall & Terrell (2009) found that in small and medium sized firms in 13 countries in Latin America, women perform better than their male counterparts in terms of growth, but men outperformed women in micro sized (in some dimensions) and the large sized firms. Similarly, Bruhn (2009) and World Bank (2010) found that women-owned medium and large sized firms are as productive as firms of the same size owned by men, but women-owned micro and small businesses, again, were less productive.

Size, productivity, and profitability of women's businesses may also be influenced by the sector in which they are concentrated. Women's businesses are predominately in the trade sector, rather than manufacturing, services, construction, or agriculture (Bruhn, 2009). Powers & Magnoni (2010) found that controlling for sector eliminated differences observed between men and women in profit margins in Peru and in Colombia. Bardasi et al. (2011) look at businesses in terms of firm size and value added per worker rather than profit margins. They find that in Latin America women tend to concentrate in sectors[10] where average firm size and average value added per worker is *higher* than in other sectors, but within those more productive sectors, businesses owned by women are smaller and offer lower value added in comparison to male-owned firms.

8 Measured in terms of sales, using a Cobb-Douglas production function that controls for labor, human and physical capital, and technology inputs.

9 Studying only formal, registered firms in Latin America, Eastern Europe & Central Asia, and Sub-Saharan Africa.

10 Food production, retail trade, garments, and production of machinery and equipment.

C. WHAT FACTORS CITED IN THE LITERATURE MIGHT CONTRIBUTE TO THESE DIFFERENCES?

SUCCESS FACTORS AND OBSTACLES

LITERATURE

Many common **success** factors may be less prevalent in or accessible to women's small businesses. These include both external resources such as free labor from family members and access to strong networks, and personal characteristics and motivations such as an opportunity rather than necessity motive for starting the business.

Common **failure** factors for small businesses may be more relevant to many women. These include risk aversion, credit constraints (or aversion to using credit), and family responsibilities that distract from the business.

A number of factors cited in the existing literature on gender and entrepreneurship (summarized in Table 2 and described in more detail in Appendix II) contribute to differences between men and women's businesses. Existing literature points to women's more limited access, compared to men, to the networks, finance and training that can help them grow their businesses. It shows that women may be more burdened by family responsibilities or less equipped to overcome legal and regulatory challenges. Finally, it points to differences between men and women in their entrepreneurial abilities, their willingness to take risks, or their expectations and goals for their businesses. While there is some evidence that all of these factors may play a part in the differences between men and women's firms, it is by no means definitive. Evidence in the existing literature is often mixed, inconclusive, or incomplete.

TABLE **2.** Literature Review: Success and failure factors and their relevance to women's small businesses [11]

	LITERATURE REVIEW
	Women are disadvantaged by many conditions that typically relate to business failure…
Family	Women bear more family and domestic responsibilities, which distract from the business. Access to free labor from family members is associated with success and women may be less likely than men to have this.
Business Characteristics	Women's businesses tend to be smaller, younger, and may be concentrate in less profitable sectors (including those with high levels of competition and commoditized products). Formality is strongly correlated to success yet women's businesses are less likely to be formal (which may be in part due to regulatory burdens that affect women more than men).
Resources	Women may in some cases be more credit constrained, and when they are not, they still tend to be less likely than men to use formal credit. Strong networks can be a success factor yet women have fewer networks and less access to training and business development services.
	However, some traits shared by women's businesses are positively linked to growth …
Personal characteristics	Traits associated with entrepreneurial success, including need for achievement, self-efficacy, innovativeness, stress tolerance, need for autonomy, risk aversion and proactive personality may be more or less present in women than men.

11 While some of the factors highlighted in this table can themselves be viewed as indicators of success or failure, they all also contribute to success or failure by other measures. For example, business size is one indicator of success, but small size often leads to challenges in succeeding by other measures such as profitability.

D. MOTIVATIONS CAN INFLUENCE SUCCESS

The motivation for starting a business can partially explain its likelihood of success. The rate of "opportunity entrepreneurship" (starting a business to exploit a perceived opportunity, rather than being driven to do so by a lack of alternatives) tends to be higher for men than women throughout the world, and in Colombia and elsewhere in Latin America in particular (Allen et al., 2008). There is, however, some indication that this gap is beginning to close (Kelley et al., 2011). World Bank (2010) notes that many of the "necessity" factors are specific to women and related to gender issues, including their traditional responsibilities for family and child care, their roles as secondary wage earners, and barriers to other employment opportunities.

TABLE **3.** Ratio of opportunity-based to necessity-based entrepreneurship

	OPPORTUNITY-TO-NECESSITY RATIO[12]
Colombia (Women)	0.91
Colombia (Men)	1.73
Low/middle income countries in Latin America (Women)	1.41
Low/middle income countries in Latin America (Men)	1.65

SOURCE: ALLEN ET AL., 2008

Higher growth aspirations can also influence the success of a business. Morris et al. (2006) find that more ambitious growth aspirations in women entrepreneurs are strongly correlated with growth (in terms of adding employees and achieving higher sales). Women who were "pushed" into the business by a perceived opportunity tend to have greater growth aspirations than those "pulled" in by necessity or lack of alternatives.

While aspirations can influence chances for success, experience with success can in turn influence a woman's goals. Personal success in achieving aspirations can lead to higher aspirations and greater confidence in ability to achieve them (Narayan et al., 2009). Further, experience and interaction with ***others*** who are similar and have achieved success can also influence aspirations. Macours & Vakis (2009) find in the context of a conditional cash transfer program in Nicaragua that interaction with women "leaders" who receive a grant for productive investment in addition to the basic cash transfer can increase aspirations and lead to greater investments in human capital and productive activities. This suggests that the access to networks of successful entrepreneurs may be a crucial factor in increasing the aspirations of women small business owners, and in encouraging business growth.

We explore further the differences between men's and women's small businesses and the factors that may contribute to these differences in the case of small businesses in Bucaramanga. These differences, and the success factors and obstacles that influence them are described in Sections 4 and 5 below.

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12 A higher ratio indicates a greater likelihood of being motivated to start a business by a perceived opportunity, rather than by lack of alternatives. Colombia has the fifth lowest ratio of the 41 countries included in the study.

4. SMALL BUSINESSES IN BUCARAMANGA

A. OVERVIEW OF THE BUSINESS ENVIRONMENT

With a population of 510,000 (metro area over 1 million), Bucaramanga is the 6th largest city in Colombia (DANE, 2005). Bucaramanga is relatively well off economically; the city's population is comprised largely of families in the 3rd and 4th income quintiles and education levels are far above the national average.[13] With only 2.5% of the national population, Bucaramanga is home to a relatively high number of firms relative to its population: 5.82% of firms in Colombia, of which 95% are classified as microbusinesses. The majority of Bucaramanga's businesses are in the commerce and service sectors, 48.2% and 26.6% respectively. Although only 14.3% of businesses are in the industrial sector, the Bucaramanga economy relies heavily on footwear, leather and textile production for their growing export economy (GEM, 2011).

Women are very active in the entrepreneurial space, with equal numbers of men and women starting new businesses and equal Total Entrepreneurial Activity, defined as the number of 18-64 year olds currently establishing a new business (less than 3.5 years old). Furthermore, Bucaramanga has the largest percentage, 53.2%, of female entrepreneurs between the ages of 10 and 24 in Colombia, showing that gender differences in the number of entrepreneurs have disappeared with the newest generation. Nonetheless, there are still far fewer women who are established business owners than there are men (16.4% versus 25.5%) (GEM, 2011), suggesting there is still a higher failure rate in women's businesses.

Despite a steady placement for years in the top three cities in Colombia for the Doing Business Index, in 2010 the city fell to 18th place primarily because of legal and regulatory restrictions on opening businesses, registering property, and obtaining construction permits (World Bank, 2010). Interest in starting a new business is substantial, but difficulties in opening a business and securing property rights are often prohibitive barriers to formalizing and growing a new operation. Moreover, Bucaramangan business owners demonstrate low levels of innovation and adoption of new technology, preferring cheaper and growingly obsolete technologies because they have lower access and price points. These barriers are particularly high for business-owners with low access to capital, informal businesses and little formal training.

13 According to the Colombian Ministry of Education, Bucaramanga manga ranks as the fifth city (municipality) in the country by number of higher education graduates (total of 74,904 graduates between 2001 and 2010), after Bogota, Barranquilla, Medellin and Cali. This represents 4.6% of the national total, while it only has 2.5% of the national population.

B. A COMPARISON OF WOMEN AND MEN'S BUSINESSES IN BUCARAMANGA[14]

MEN'S VS. WOMEN'S BUSINESSES

COLOMBIA

Women's businesses in ***Bucaramanga*** are on average 23-34% smaller than men's, more likely to be informal (67% vs 54% are informal). This is important because formal businesses are growing twice as fast as informal ones in terms of assets and also slightly faster in revenues. Additionally, men's businesses are growing faster women's informal and formal businesses.

In ***Cartagena***, women's business are also more likely to be informal and the difference in size more pronounced, with women's businesses 38-53% smaller than men's. Also, women's formal businesses are relatively ***smaller***, possibly indicating some disadvantage to formalization for women in Cartagena.

Women represent only 38% of the businesses reporting income to the Chamber of Commerce in Bucaramanga. Their businesses are more likely to be informal,[15] and are smaller in terms of both assets and sales even controlling for the type of business (Table 4). Women's businesses registered as "Personas Naturales" or individuals, comprised 67.1% of all women's businesses compared to only 54.4% of men's businesses. There is a strong relationship between formality and growth, which favors men's businesses since more of these are formal. Additionally, some of the observed differences in business size may be explained by the fact that women's businesses are slightly younger overall than men's businesses (Table 4).

TABLE **4.** Comparison of men and women's businesses in Bucaramanga, 2010 data

	NO. OF BUSINESSES SAMPLED	AVERAGE AGE	MEDIAN ASSETS (USD)	MEDIAN SALES (USD)	ASSETS DIFF. WOMEN - MEN	SALES DIFF. WOMEN-MEN
Informal, Women	1647	8.24	2,622	25,946		
Informal, Men	2175	10.57	3,784	39,135	-31%	-34%
Formal, Women	806	10.78	102,540	139,590		
Formal, Men	1823	11.46	132,994	182,092	-23%	-23%

When comparing women and men's business growth, the story is mixed depending on the time frame and whether assets or revenues are considered. In the case of asset growth, both women's formal and informal businesses grew more slowly than men's over a 1-year, 2-year and 5-year time frame. The differences are more marked for informal businesses (Table 5). Informal men outperformed informal women by 22 percentage points, while formal men only outperformed formal women by 7.5 percentage points.[16] It is also important to note that asset growth for formal businesses was significantly greater than that for informal businesses. As relatively fewer women have formal businesses, this discrepancy further increases the differences observed in overall asset growth.

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14 Analysis based on a sample of 6,451 businesses registered with the Chamber of Commerce in Bucaramanga, out of a total of approximately 55,000. The sample includes all small and medium sized businesses in the municipalities of Bucaramanga, Floridablanca and Giron that reported income figures to the Chamber in 2010.

15 Throughout this paper, we use the term "informal" or "PN" to refer to businesses operating as "Personas Naturales," or individuals. We use the term "formal" or "PJ" to refer to those operating as "Personas Jurídicas," or corporate entities.

16 We also calculated average growth rates for those businesses with growth between 0-500%, to exclude for major outliers. Men's growth still outperformed women's across all categories and timeframes, however, the differences were reduced for 2-year and 5-year growth.

TABLE 5. Asset growth	INFORMAL			FORMAL		
	WOMEN	MEN	DIFFERENCE	WOMEN	MEN	DIFFERENCE
2010	11.1%	15.9%	-4.7%	24.8%	29.0%	-4.2%
2 year	29.6%	39.7%	-10.0%	61.7%	71.0%	-9.4%
5 year	119.7%	141.8%	-22.1%	199.1%	206.6%	-7.5%

Unlike assets, revenue growth is much more erratic across formality, time frame and gender. For most metrics, formal businesses outperformed informal businesses, with the exception of women's 5-year growth in revenues, which was a stellar 202% (Table 6). In general, women's informal businesses seem to grow nearly the same or more than men's in terms of a percentage of revenues (although their average revenues are still only 66% that of men's). Men's formal businesses, however, outperformed women's formal businesses in 1-year, 2-year and 5-year revenue growth.[17]

TABLE 6. Revenue growth	INFORMAL			FORMAL		
	WOMEN	MEN	DIFFERENCE	WOMEN	MEN	DIFFERENCE
2010	18.3%	22.1%	-3.8%	23.8%	27.2%	-3.4%
2 year	44.1%	36.5%	7.6%	44.3%	54.5%	-10.2%
5 year	201.5%	169.1%	32.5%	150.4%	176.5%	-26.1%

C. BUCARAMANGA VERSUS CARTAGENA

Although the bulk of our research is focused on businesses in Bucaramanga, we also reviewed data from the Chamber of Commerce of Cartagena in order to test the validity of the trends observed in Bucaramanga. The culture and business environment are very different in Cartagena. With just under 900,000 people (1.2 million metro area), Cartagena is the fifth largest city in Colombia. Despite its larger size relative to Bucaramanga, Cartagena's economy is far less developed (DANE, 2005). There are only 23,478 businesses registered with the Chamber of Commerce in Cartagena, compared to approximately 55,000 registered in Bucaramanga. As of 2010, it ranked last out of the 21 cities in Colombia surveyed by the Doing Business Index, compared to Bucaramanga at 18th (World Bank, 2010). As the second most visited city in Colombia, its economy is largely dependent on tourism (Berroando and L'Hopital, 2010). The majority of the population's education levels do not exceed secondary school, with 27.7% having only a basic primary school education and 36.6% completing secondary school (DANE, 2005).

In Cartagena, like in Bucaramanga, women own 38% of businesses that report income to the Chamber of Commerce and are more likely to have an informal business than men (57% of women's businesses versus 43% of men's businesses were informal). Their businesses are also likely to be smaller than men's businesses in terms of assets and sales (see Table 7 below). For informal businesses, the difference in size between men and women's businesses is about the same as in Bucaramanga. However, women's formal businesses in Cartagena are even smaller relative to their male counterparts than in Bucaramanga and they are also relatively smaller than women's informal businesses. This contrasts with the trend

17 When excluding negative sales growth and growth of more than 500%, men's formal businesses still outperformed women's businesses for 1-year, 2-year and 5-year sales growth.

in Bucaramanga, where gender differences were reduced with formalization. The reason for this is unclear, but it seems to indicate that formalizing a business in Cartagena provides women with fewer benefits and opportunities than formalizing a business in Bucaramanga. Unfortunately in Cartagena we were unable to look at growth as historical figures were not available.

TABLE **7.** Comparison of men and women's businesses in Cartagena by formality

	NO. OF BUSINESSES SAMPLED	AVERAGE AGE	AVERAGE # OF EMPLOYEES	MEDIAN ASSETS	MEDIAN INCOME	% PROFITABLE
Informal, Women	1,055	8.2	1.7	1,269	11,648	83%
Informal, Men	1,271	8.8	4.2	2,324	18,811	86%
Diff Women-Men	-17%	-7%	-60%	-45%	-38%	-3%
Formal, Women	783	10.4	13.0	101,839	128,770	81.23%
Formal, Men	1,700	10.6	18.4	197,920	232,663	83.41%
Diff Women-Men	-54%	-2%	-29%	-49%	-45%	-3%

BOX **1.** What is Mujeres ECCO? Overview and Structure

Mujeres ECCO is a 4 year business training and business strengthening program being implemented by the Chambers of Commerce of Bucaramanga, Cartagena, Cúcuta and Barrancabermeja in Colombia and funded by **Multilateral Investment Fund** of the IDB. The main goals of the program are to increase women's participation in the economies of these cities through the creation of and strengthening of sustainable and competitive businesses run by women. Mujeres ECCO has two sub-programs: the "Fortalecimiento" or Business Strengthening program and the "Emprendimiento" or Entrepreneurship/Business Creation program. There are also various complementary activities such as participation in international and national conferences on women's entrepreneurship, a study on entrepreneurship, creating links with financial institutions, creating a mentorship program, a technology component and helping women market their products at national trade shows.

The Business Strengthening program provides one-on-one diagnostics and consulting to 100 existing women owned businesses. Participants must have been in business for at least a year and have annual sales greater than 60,000,000 COP (USD32,000) or assets of more than 50,000,000 COP (USD27,000). It is 7 months in duration: 1 month of basic training and business selection, a 2 month diagnostic performed by external consultants in conjunction with management, and 4 months to design and start implementing an improvement plan.

The Entrepreneurship program is an intensive training and business plan program designed to create 200 new, sustainable and competitive businesses. To participate in this program, women must have a clear idea for a business that can be launched in a short period of time, will be sustainable and generate employment, and is unique or innovative. They must also have funds or access to funds to start the business, a university degree, previous applicable work experience, strong motivation and an entrepreneurial spirit. This is a demanding program that lasts 7 months: one month of basic training, 3 months to write a business plan and 3 months to implement the business plan. It combines group sessions with one-on-one training in three core areas: strategy, marketing and finance. There are 5 main phases of the program and as it progresses, it becomes more much selective. The 5 phases and their targets include:

- INTRODUCTION AND RECRUITMENT (6,000 WOMEN): Introduces women to the program and what it takes to start your own business. Serves as a first filter and venue for gathering information about the women and their business ideas. Group session.
- BASIC TRAINING (600 WOMEN): Further discusses the rigors of the program and the challenges of starting a business. Serves a second filter. Group session.
- CREATIVITY TRAINING (400 WOMEN): Helps women develop their business idea in a group setting and through external exercises. Is it sustainable? Is it unique? What does the market and the competition look like? Are their ways to make the product, processes or distribution channels more innovative? Group sessions.
- CREATION OF BUSINESS PLAN (400 WOMEN): Walks women through the various components of writing a business plan. Group sessions and one-on-one consulting.
- IMPLEMENTATION OF BUSINESS PLAN (200 WOMEN): 50% of those that complete a business plan are then selected for help with actually implementing their business plan. One-on-one consulting with experts in strategy, marketing and finance.

** PLEASE SEE APPENDIX 1 FOR ADDITIONAL INFORMATION REGARDING MUJERES ECCO.*

5. SUCCESS FACTORS AND OBSTACLES TO BUSINESS GROWTH

SUCCESS FACTORS AND OBSTACLES: SOCIO-ECONOMIC CHARACTERISTICS

COLOMBIA

A minimum level of **wealth** (strata 3 or 4) may contribute to success of a business, but being in the highest strata is not correlated with greater likelihood of success.

Successful entrepreneurs are more likely to have higher levels of **education**, though the correlation is stronger for men than for women.

Successful entrepreneurs have fewer **children** on average than unsuccessful, though this difference is greater for men than for women.

While **younger** people have less experience and less access to start-up capital, their youth can also be an advantage, especially for women. In our sample, successful entrepreneurs were on average 11 years younger (for women) and 5 years younger (for men) than unsuccessful.

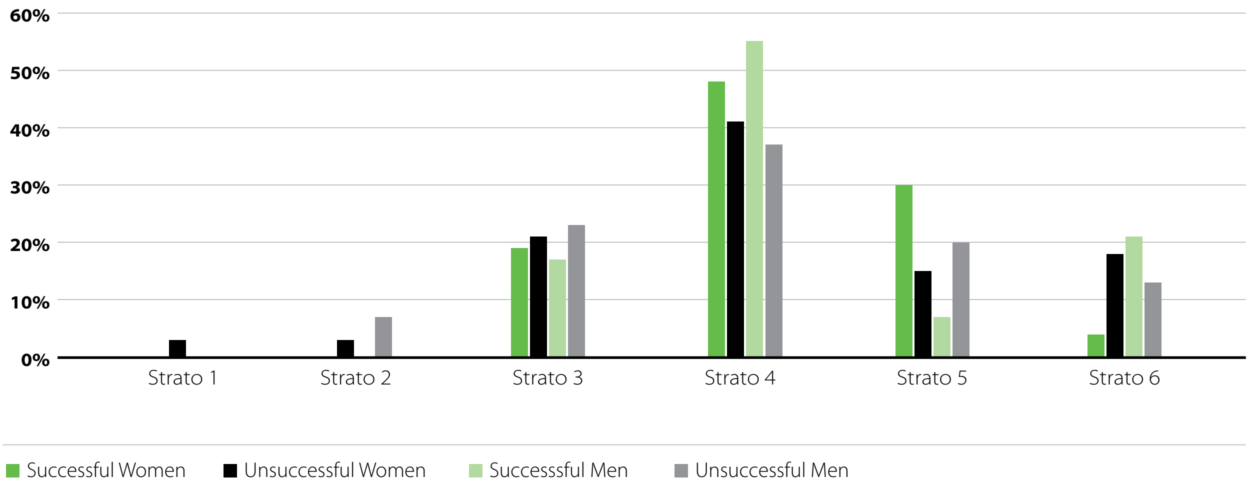
A. SOCIO-ECONOMIC CHARACTERISTICS

While overall the businesses interviewed were by no means wealthy, the economic strata of their owners averaged slightly above strata 4 for both successful and unsuccessful businesses (Table 8).[18] However, when we look at the frequency distribution by strata it is notable that there were no successful businesses with owners in strata 1 or 2 and that a greater percentage of both successful men and successful women fall into strata 4, 5 or 6 (Figure 1). This could indicate that a minimum strata of 3 or 4 contributes to the success of a business (though there is no linear relationship) because people in lower income strata tend to be less educated and have less access to capital, networks and other factors that contribute to the success of businesses.[19] However being in the highest strata does not seem to be correlated with a greater likelihood of success.

18 The Colombian government identifies all residents in socio-economic strata defined by residential zones in which they live. Strata levels are made available to all residents on public utility bills. While generally a good proxy for socio-economic status, these strata levels are not perfectly correlated with income or wealth.

19 The relationship between strata and success could also be working in reverse: once a business is successful, its owner moves out of areas classified in the lower segments. Our data did not allow us to look at the economic strata of the owners when they started their businesses.

FIGURE **1.** Distribution of economic strata for successful and unsuccessful businesses



Education levels in our sample were high overall, reflecting the general trends in Bucaramanga. The only notable difference was that 53% of unsuccessful men had a tertiary degree and 13% only had a primary degree, compared to 66% of successful men with a tertiary degree and only 3% with a primary degree. There was less difference in education between successful and unsuccessful women. 62% of unsuccessful women had tertiary degrees and 9% primary degrees, compared to 59% and 4% respectively. These figures reflect a relationship between education (or a lack thereof) and the success of a business, or lack of success in the case of those with the lowest levels of education.

TABLE **8.** Personal characteristics critical to business success

	AVERAGE STRATA	% WITH TERTIARY DEGREE	NO. OF CHILDREN*
Women			
Successful	4.2	59%	1.9
Unsuccessful	4.1	62%	2.3
Men			
Successful	4.3	66%	2.1
Unsuccessful	4.1	53%	3.0

** ONLY FOR THOSE WITH CHILDREN*

EXPERIENCE CAN BE AN ASSET, BUT SO CAN YOUTH

Our interviewed sample comprised of mostly mature people and businesses, with an average business age of 8 years for informal businesses and 10 for formal businesses and average ages of 48 (women) and 50 (men). Interestingly, however, successful women on average were 11 years younger than unsuccessful ones and successful men were 5 years younger on average than unsuccessful men (Table 9). Moreover, amongst 20-40 year old women, an overwhelming number are successful (82%), and all women aged 20-30 were successful, although there were only a few this young. For men, the most successful age group was also the 30-40 segment (87.5% successful), however 20-30 year old men in our sample were largely unsuccessful (75% unsuccessful). These figures indicate that youth may actually be an advantage for business owners, in particular for women.

TABLE 9. Age distribution of business owners by success and gender

AGE RANGE	WOMEN SUCCESSFUL	WOMEN UNSUCCESSFUL	MEN SUCCESSFUL	MEN UNSUCCESSFUL
20-30	11%	0%	3%	10%
30-40	41%	8%	23%	3%
40-50	26%	41%	35%	27%
50-60	19%	27%	23%	37%
60+	4%	24%	16%	23%
Average	41.5	52.7	47.4	52.7

Our interviews with Mujeres ECCO beneficiaries and the younger participants in the survey highlight the advantages and disadvantages that age brings when starting a business. The most notable disadvantage is a lack of experience. Young people often have not worked in another business prior to starting their own, where they could have gained valuable business and staff management experience that might help them in with their own business. They have also had less opportunity to save the funds needed for start-up capital and tend to have smaller networks to leverage for their businesses (apart from family and university colleagues). However, there are also many advantages of starting a business while younger, especially for women. They have fewer family responsibilities (i.e. spouse, children), which allows them to dedicate more time and resources to their businesses and also take on greater risk by foregoing a formal job. Successful women and men in our sample both had fewer children than unsuccessful business owners. Other advantages young women have are that they may be able to continue living at home supported by family, and that they are likely to be more educated and less negatively affected by gender bias and machismo in their personal lives as part of the younger generation (see Section F below). Postponing entrepreneurship in favor of formal employment to gain experience, savings and networks may have merits for some, however, during that time women may forgo the advantages to entrepreneurship that youth brings. Moreover, the employment opportunities for university graduates in Colombia are very competitive and limited, likely more so outside of the capital Bogota. Even when securing a formal job, it is likely to take youth many years to gain enough valuable experience and to save enough to start their own business without additional support.

SUCCESS FACTORS: BUSINESS OWNERS' OPINIONS

BUCARAMANGA

All categories of business owners cited ***consistency***, ***hard work***, and ***organization*** as crucial to success. ***Help from family*** was a key success factor for men and successful businesses in general. Because men were more likely to be married, this favored men overall. Family help can come in the form of free labor, financial support, or emotional support.

Customer service, ***market knowledge***, ***access to loans***, and ***networks*** were also key for successful businesses. Unsuccessful business owners focus more on having a ***good price***, as do women. This suggests that they are working in highly commoditized areas or that they are competing too much on price.

B. BUSINESS OWNERS' OPINIONS ON SUCCESS FACTORS AND OBSTACLES TO BUSINESS GROWTH

The interviews conducted with owners of 120 businesses registered with the Chamber of Commerce in Bucaramanga asked what personal characteristics and characteristics of their business had contributed most to their success as well as the biggest challenges facing their business. The responses were broken down by gender and by whether or not the business is successful (Figure 2 below).[20]

CHARACTER HELPS DETERMINE SUCCESS…

The personal characteristics critical to success cited most often by business owners, regardless of gender or successfulness, were: *consistency, to be hardworking and to be organized*. However, the fourth most commonly mentioned response, *help from the family,* was mentioned much more often by successful businesses than it was by unsuccessful businesses (30% of respondents versus 17%). It is also mentioned more often by men than by women (32% of respondents versus 15%). This indicates that *help from the family* may not only be an important factor in the success of a business, but that women are getting less support from their families than men are. Women are slightly less likely to have a family business than men (44% versus 53%), which may explain some of the difference. However the difference is more likely related to the marital status of our sample and that many women work in their husbands businesses, often without formal salaries. 83% of men were married, compared to only 52% of women, who were more likely to be single, divorced or widowed (see Appendix IX).[21]

Nonetheless, free labor is not the only type of familiar help promoting successful businesses. Our qualitative interviews with men and women confirmed that having a supportive family is instrumental to success. Several of the people interviewed mentioned the importance of family in securing financing. 26% of business owners received loans from family members to start their businesses, while others took family members as silent partners in order to raise capital. Indirect family support also influenced many business owners' success. Some entrepreneurs mentioned the emotional support and stability in their marriages as instrumental to their business success, while several younger business owners were able to quit formal jobs in order to dedicate themselves fully to their businesses because they were able to continue living with their parents and minimize their personal expenses.

…BUT HAVING A GOOD PRODUCT AND SELLING IT WELL ARE ALSO CRITICAL[22]

The business characteristics mentioned most often by men and women and successful and unsuccessful businesses were having a *high quality product* (mentioned by 75% of respondents) and *customer service* (mentioned by 51% of respondents). Successful business owners were 18% more likely to mention *customer service* than unsuccessful, and women were 6% more likely than men to mention it, suggesting that women may have a slight advantage in the recognition of customer service's importance.

There were also some notable differences between the responses of successful and unsuccessful businesses and between men and women. Successful business owners were 16% more likely to mention *market knowledge and knowledge of the competition,* 16% more like to mention *access to loans* and 7% more likely to mention *know people that can help you.* On the other hand, unsuccessful business owners were 9% more likely to mention having a *good price.* Moreover, when asked what the one most important success factor is, unsuccessful businesses were equality likely to say having a *good price* as they were to say *market knowledge,* while not one successful business mentioned having a

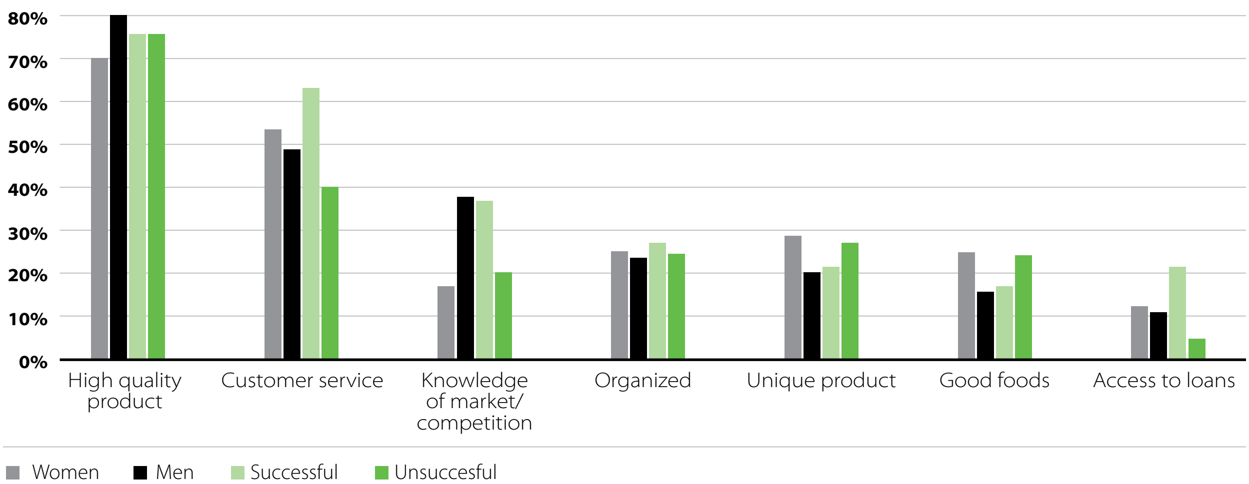
20 As defined by EA based on reported asset and sales growth from 2008-2010. See definition in the Methodology section.

21 Difference in means statistically significant at 1% level.

22 The differences mentioned in this section are all statistically significant at the 10% level.

good price. This seems to indicate that unsuccessful businesses are either selling products that are highly commoditized and/or that they are competing too much on price. Competing on product and having a good understanding of the market and your competition is essential when differentiating a business. Women seem to be at a disadvantage in this area and to compete more on price than men. They mentioned price as a success factor 11 percentage points more than men. Meanwhile, men were 19% more likely to mention *market knowledge and knowledge of the competition* as a success factor. Qualitative findings from in person interviews and focus groups echo the importance of marketing, market knowledge. According to the female owner of a jewelry company in our focus groups, *"Not everyone has the mentality for business. For me, a very important success factor was that I started a marketing committee, even though at the time I didn't believe in its importance. Now I accept that it is very important to belong to one for the collaboration and the knowledge."* These findings show how important Mujeres ECCO's focus on marketing and strategy is for helping women's businesses grow and be successful (see Box 1).

FIGURE **2.** Business characteristics critical to success



OBSTACLES TO SUCCESS AND CHALLENGES FACED BY BUSINESS OWNERS

OBSTACLES: BUSINESS OWNERS' OPINIONS

COLOMBIA

Successful business owners mentioned ***market knowledge*** and ***positioning*** as key challenges, while unsuccessful business owners emphasized ***financial*** challenges more.

Unsuccessful businesses as well as women's businesses have ***relied more on debt*** to face obstacles.

Just as market knowledge was seen as a success factor, a lack of market knowledge and market positioning were mentioned as challenges more by successful businesses. Unsuccessful businesses on the other hand mentioned financial challenges more frequently (i.e. finding clients that pay on time, finding loans and obtaining resources). Being competitive was the greatest challenge mentioned by both men and women (mentioned by 32% and 39% of those surveyed, respectively). However, the secondary challenges mentioned by men and women were different. Men's other large challenges included: finding good suppliers (15% vs. 7%), knowing the business (14% vs. 8%) and dealing with changes in the market (10% vs. 3%). Meanwhile, women mentioned economic crisis (13%) and liquidity (10%). This may indicate that women and their businesses may be more vulnerable, and perhaps less stable than men's, as dealing with economic crisis was mentioned more often. They may also be more likely to have issues with funding. This may be because they have less savings and support from their families, making them more dependent on loans, which they use more frequently to start businesses (Section D). Their smaller size and more frequent levels of informality may also lead to greater liquidity issues as more of their clients might be buying on credit, for example.

Of all the businesses interviewed, 90% said that they had overcome the challenges that they faced. Most said it was through "love of the work". Beyond that, more unsuccessful businesses said they did it by taking out loans, which corresponds with the type of challenges encountered. While successful businesses said customer service and market knowledge/studies were important for helping them overcome their challenges. These findings signal that access to finance may be a success factor for businesses, but also that some of the stronger businesses do well in avoiding unnecessary or unproductive debt. The causality of the relationship between indebtedness and being unsuccessful is difficult to determine from this type of survey, however, it is important to consider that indebtedness and high interest payments may be holding some businesses back, which is why they were identified in the "unsuccessful" group. Women seem to rely more on loans than men (see Section D), and thus may be more adversely affected by this.

BOX **2.** Examples of Failed Businesses (from phone interviews with new businesses)

MAN COLD-CUT MEAT PROCESSOR	**WOMAN** HARDWARE STORE OWNER
This 40 year old man has no education, is married with six children, and among the lowest income levels in Colombia (Strata 2). He worked informally as a street vendor before opening a small business producing cold meat. He used a loan from a microfinance institution (obtained through his wife) to invest in machinery and primary products, but the cost structure was too high to support the market prices, and he faced a lot of competition from large cold-cut companies. At the time of the interview, he had closed down the business and was working informally as a street vendor again. WHY THE BUSINESS FAILED: • Lack of planning • Lack of understanding of the cost structure of the business prior to opening • Borrowing not linked to analysis of potential return to investment • Lack of market knowledge and knowledge of the competition	This 41 year old woman is married with 2 children (aged 16 and 1). Both she and her husband are employed as professionals outside the business, and decided to invest some of their savings to buy a hardware store. The required investment turned out to be larger than they anticipated and they had to take out a loan with the bank (using their salaries as collateral) to support the business. However, the amount of the loan was still not enough to purchase sufficient and varied inventory for the store. At the time of the interview they were trying to sell the business. WHY THE BUSINESS FAILED: • Lack of planning (She is an accountant but admits and regrets that she did not spend enough time assessing the viability of the business) • Lack of understanding of the business and the cost structure • Insufficient capital for the type of business • Lack of time to commit to the business

C. FORMALIZATION

SUCCESS FACTORS: FORMALIZATION

COLOMBIA

Formalization in our sample was strongly correlated with sales and asset growth, although more pronounced for asset growth.

Women's businesses in our sample were less likely to be formal than men's.

For small firms, the costs of formalization likely often outweigh the benefits. While the benefits to many smaller women's businesses may be limited, there seems to be a subset of women who would benefit from formalization.

Though it has been suggested in other studies that women may be more intimidated than men by the process of becoming formal, we did not find any evidence of this in our sample. Men did, however, have greater access to networks that could help them in the process.

Formalization tends to be viewed by most business owners in Bucaramanga as a necessary step to grow and to be successful, despite the costs and taxes that the process entails. In Bucaramanga there is market pressure to formalize from other formal businesses as well as from individual clients. The male owner of a company designing tools and webpages for small businesses in our focus group said, *"In order to grow you must be formal; the formal businesses don't work with the informal ones."* Formalization also allows a business to work with larger businesses that pay better, increases access to affordable loans, and is necessary for import or export licenses.

BOX **3.** Pros and Cons of Formalization According to Bucaramangan Business Owners (interviews and focus groups)

PROS	CONS
• Able to work with bigger businesses • Obtain bigger contracts • Improves reputation amongst clients • Less personal risk and liability • Better if you want to import/export • Easier to get loans at lower interest rates • More access to free trainings at the Chamber of Commerce	• Must pay taxes which can be quite hefty • Need to have advice from a lawyer and/or accountant • Payment that isn't given back until a year later and doesn't earn interest, reducing capital and investment capability

The analysis of the data from the Chamber of Commerce supports business owners' assertions that there is a benefit to formalizing. When comparing the growth rates of formal and informal micro businesses, formal businesses generally grew faster in both the short (1 year) and longer (5 year) time horizon in terms of assets. Asset growth in 2010 for formal micro businesses was 35% compared to 13.3% for informal micro businesses, and asset growth between 2005 and 2010 was 232% compared to 128%. The difference in sales growth is not quite as pronounced. Sales growth in 2010 was 68% for formal businesses, but only 50% for informal businesses. However, the five-year growth rates in sales were very similar, 258% and 244% respectively.

"When you are informal, you have many fines and to be formal is to avoid problems and headaches….You must avoid problems with DIAN, I think that they are the ones to be most afraid of because if they want they can leave you in the street."

FEMALE ADMINISTRATOR OF A PUBLICITY AGENCY FROM OUR IN PERSON INTERVIEWS

TABLE **10.** Asset and sales growth for micro businesses

	SALES GROWTH 2009-2010	ASSET GROWTH 2009-2010	SALES GROWTH 2005-2010	ASSET GROWTH 2005-2010
Formal	67.8%	35.0%	244.4%	232.2%
Man	72.6%	35.4%	256.0%	228.3%
Woman	56.6%	34.4%	217.2%	240.8%
Informal	50.2%	13.4%	258.7%	127.9%
Man	51.1%	14.5%	248.8%	134.0%
Woman	48.8%	11.0%	274.3%	119.7%

Because of the strong correlation between growth and formality, it is especially concerning that relatively fewer women's businesses are formalized. Many women's businesses are smaller than men's, overall. As such, their size may make the costs of formalizing outweigh the benefits. However, there are indications that some of these businesses might do well to formalize. ***The growth in sales of the informal businesses suggests that it might make sense to transfer some of these businesses, particularly, those run by women from the informal to the formal sector.*** Asset growth seems to be more dramatic for women with formal businesses versus their informal counterparts than for men. In 2010, women's formal businesses grew their assets by 34.4% or 22.5 percentage points more than informal businesses. The difference between men's formal and informal businesses was slightly less at 20.8%. Over 5 years, women's formal businesses grew 121 percentage points more than women's informal businesses, while men's formal businesses grew by 95 percentage points more. Because causality is difficult to attribute in this type of survey, the data might suggest that only those businesses with the greatest potential are becoming formal or that formalization leads to greater growth. In both cases, it appears that there is a pool of informal women that might be able benefit from becoming formal and leveraging the benefits mentioned above such as cheaper loans, better customers, and export markets.

BOX **4.** Mujeres ECCO: Formalization

The Mujeres ECCO program can help to address some of the disadvantages women may have to formalizing as the participants have easy access to the Chamber of Commerce staff and receive free training from consultants with experience in formal firms, including from an accountant. In addition the program pushes women to consider their businesses as nascent but growing firms as opposed to just an economic activity providing them with a livelihood and encourages them to formalize.

This group of successful, growing businesses might face non-financial barriers to formalization. For example, the literature suggests that women may be more intimidated by the process or might be afraid of being taken advantage of during the process of formalization (World Bank, 2010). However, in Bucaramanga we did not find any evidence or qualitative support for this. In fact the sentiment expressed by most men and women was that the Bucaramangan women are more organized than men and often better at the administrative work involved with formalization. Nonetheless, while women may or may not be more intimidated by the process of formalization, they may have less support during the process than men. Some of the formal businesses we interviewed walked us through a relatively "simple" and straightforward process of formalizing, yet also mentioned that they consulted various organizations and people for assistance along the way. They received assistance from the Chamber of Commerce, which is accessible to both men and women, but also lawyer friends who advised them on the legal form to pursue (S.A.S., etc.) and accountant friends who helped them with their financials as well as the upfront and ongoing registration payments. It is likely that women have smaller networks of professionals that they can turn to for such assistance, especially in the lower socioeconomic strata and education levels. There continue to be large wage and employment gender gaps in Colombia, despite women's higher graduation rates from tertiary education, and fewer women have had formal sector work experience where they may have made such contacts.[23] In the phone interviews with business owners, only 36% of women had been working in the formal sector prior to opening their business, compared to 53% of men.[24]

D. *RISK AVERSION AND RISK CAPITAL*

RISK AVERSION

OBSTACLES: RISK AVERSION AND RISK CAPITAL

COLOMBIA

Risk aversion between women and men is similar. If anything, the women in our sample may be slightly less risk averse than the men.

Women were more likely to use ***credit*** to start their businesses, which may indicate that they are less risk averse but also more capital constrained.

Almost all successful women reinvested ***profits*** in their businesses, while unsuccessful women used profits for a variety of other purposes, including paying off debt and diverting some to household needs. These differences between successful and unsuccessful business owners also held for men, but were far less dramatic.

One constraint to women's business growth often explored in the literature is that women are more risk averse than men: they invest less in their businesses and/or take fewer risks and thus do not grow as rapidly. The findings on risk aversion (Section 3) are mixed, with some studies finding women are more risk averse, some finding they are less risk averse and some finding there to be no difference between genders. During the field research for this paper, we explored several variables that could indicate appetite for risk in business and also talked to both men and women entrepreneurs about whether the felt any fear when starting or investing in their business. Generally, these findings ***do not indicate that women are more risk averse than men,*** rather that there is very little difference in risk aversion between genders or even that women are more willing to take on risk.

"I saw that had a lot of competition, so I started my business from home. This way I could test how viable the business idea was ... I said if something goes wrong, I'll only lose a little because I won't have to pay fixed costs."

MAN, CLOTHING PRODUCTION, FOCUS GROUPS, "SUCCESSFUL" BUSINESS

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23 Tenjo (2009) found a gender wage gap in Colombia of 14-23% when controlling for sector and education level.

24 Statistically significant at the 1% level.

One potential indicator of risk aversion is how an entrepreneur starts their business and the degree of risk involved in starting this business. For example, starting a business out of the home is less risky as it involves less of a capital commitment and can generally be done at a smaller scale. In our telephone interviews, more women than men started their business in their house (21 women versus 11 men or 34% versus 19%). Although this could indicate that women have a smaller appetite for risk when starting a business, it is more likely a reflection of the fact that many women have personal reasons, such as children and family,[25] for wanting to keep their businesses close to home and that they often have fewer resources to rent external space. The women in our sample were less likely to have had a formal sector job, and thus more resources, prior to launching their business than men (36% versus 53%).[26] As further evidence of their reduced resources, they were also less likely to use savings to start their business, (45% of men used savings to start their business, compared to only 28% of women). It is also important to note that at the time of the interviews, only 1 woman still operated her business out of her home, as compared to 4 men.

"I wasn't afraid to start, I was afraid to buy expensive machinery"

FEMALE JEWELRY DESIGNER, FOCUS GROUPS, "SUCCESSFUL" BUSINESS

Most business owners interviewed did not express great fears about starting a business per se, but rather that they were afraid or worried when they made the first big financial investment in the business. Both men and women expressed similar fears. A male distributor for Alpina in our focus groups said, *"The change that created the most fear for me was to go from a comfortable life with a salary to having to look for money to pay others' salaries."* The female owner of a construction business in our focus groups, echoed his concern, *"My biggest fear at the beginning was to start paying salaries because it was a lot of money, and shortly after I started there was a construction crisis in 2000 and I was very indebted and had to let many people go."* In terms of the initial amount invested in the business, on average the men in our sample invested slightly more than the women, USD5,950 versus USD5,300.[27] However, the median investment amount was the same for both men and women, USD2,700, indicating that there is little difference in appetite for risk between the genders.

TABLE **11.** Potential Indicators of Risk

	WOMEN	MEN	WOMEN MORE/LESS RISK AVERSE
Starting a business out of the home	34%	19%	Λ
Run home based business	2%	7%	V
Average initial investment	$5,300	$5,950	Λ to O
Median initial investment	$2,700	$2,700	O
Use of non-family credit to start business	43%	34%	V
Use of any credit to start business	75%	50%	V

Λ INDICATES MORE RISK AVERSE; V INDICATES LESS AVERSE; O INDICATES RISK NEUTRAL

RISK CAPITAL

Another important indicator of risk is the type of resources, or the risk capital, used to launch a business, for example savings versus credit. As mentioned above, in our sample, men were far more likely to use savings, a less risky form of capital, to start their business, while women were more likely to use

—

25 Women were slightly more likely to say that their children or families had influenced the type of business they started (45% versus 39%).

26 They were more likely to have been a homemaker or a student than men (8% and 15% versus 0 and 3% for men).

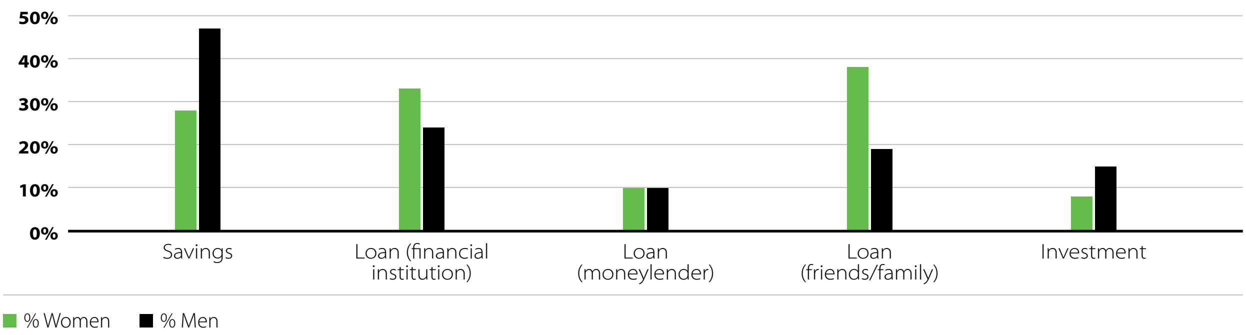
27 These averages exclude 3 very large investments that significantly skewed the results. The difference in averages is not statistically significant.

credit (Figure 2), indicating that they may actually be less risk averse than men. A full 75% of women used some kind of credit to fund at least a portion of their investment in their business, compared to only 50% of men.[28] Some women mitigated the risks involved with taking out a loan by borrowing from family (34% of the women in the sample borrowed from family, which represents 47% of those that used credit). Meanwhile, only 17% of men borrowed from family, or 35% of those that used credit.

"You can start with what little you have, and move forward from there. I invested all of the settlement from my old job to take on this challenge."

A MUJERES ECCO BENEFICIARY WHO OWNS AN ENVIRONMENTAL CONSULTING AND TRAINING COMPANY

FIGURE **3.** Sources of Funds for Starting a Business



***NOTE:** PERCENTAGES DO NOT ADD UP TO 100 AS SOME BUSINESS OWNERS USED MORE THAN ONCE SOURCE OF FUNDS TO START THEIR BUSINESS.*

These differences in risk capital between men and women may have less to do with risk aversion and more to do with the options available to men and women. As mentioned above, men are more likely to have worked in the formal sector and are also more likely to have any work experience at all prior to starting their business (95% versus 77%), making them more likely to have accumulated savings. Nonetheless, the large proportion of women using credit does show that many women are willing to take on risk and to bet on themselves and their business when no other options are available. Conversely, this implies that more risk averse women have fewer tools with which to start a business, especially those in the lower income groups that have less access to loans from family and less collateral for bank loans. It also highlights the vulnerability of women's businesses that are immediately subjected to the pressures of paying back loans. Family loans may offer more flexible and affordable terms than formal financial institutions and these could offer lessons for those financial institutions willing and interested in helping women with new businesses.

28 Statistically significant at the 1% level.

BOX 5. Mujeres ECCO: Prudent Risk Taking?

The Mujeres ECCO program has an interesting approach to risk. On the one hand, it tends to teach women that they need to be conservative and thoughtful as they start their business, that they should start small in order to test the business and hold off on any major investments (for example in a factory or shop out of the home) until they reach an equilibrium point. At the same time, the program has encouraged many women to take big risks including focusing 100% of their time on their business instead of dividing time between a steady job and their new ventures. For example, a swimsuit designer and manufacturer we interviewed quit a well paying job in the formal sector during the business plan phase of the program in order to dedicate herself fully to her business and the program. Prior to this she did what she could on the business in the evenings and weekends. Likewise, a high-end women's clothing designer was motivated to quit her coveted position designing for someone else in order to dedicate herself fully to her business. Previously she had a showroom and designed and produced her own clothes when she could, but it was sporadic. The program also encourages and helps women to find loans to launch their businesses.

INDEBTEDNESS

The analysis of the Bucaramangan Chamber of Commerce data indicates that women are somewhat more likely to finance business growth through debt than men, as seen by their slightly higher debt to equity ratios. These trends in indebtedness did not hold for Cartagena. There men and women's informal businesses had nearly the same debt to equity and debt to assets ratios. Formal businesses were much more leveraged in Cartagena than Bucaramanga, however, where men in the formal sector were much more indebted than women. Further analysis would be useful to understand the factors behind these higher levels of leverage (Table 12), especially when compared to relatively low levels in informal businesses, which were less indebted in terms of debt to equity and equally indebted in terms of debt to assets. This could be indicative of the lending options available in the two cities, with fewer options available to informal businesses (and perhaps women) in Cartagena, where the market is primarily dominated by traditional banks, as compared with Bucaramanga, which has a greater number of microfinance institutions, cooperatives and consumer lending companies.

TABLE 12. Indebtedness ratios for businesses [29]

	BUCARAMANGA		CARTAGENA	
	DEBT TO EQUITY	DEBT TO ASSETS	DEBT TO EQUITY	DEBT TO ASSETS
Informal, Women	0.53	0.15	0.38	0.15
Informal, Men	0.49	0.16	0.38	0.16
Formal, Women	1.72	0.38	3.99	0.50
Formal, Men	1.63	0.39	5.27	0.91

Although debt allows women to start and invest in their businesses, it can also be costly and negatively impact the profitability of the business, especially during the initial critical period. This is perhaps one of the reasons that women mentioned liquidity more often than men as a challenge to business growth. It is important to note that there are still relatively few financing options available to informal businesses in Colombia and they usually involve a higher interest rate. This puts women's firms, which are less likely to be formal, at a disadvantage when borrowing as the cost of funds and drain on profitability is likely to be higher. Some findings from the phone interviews support this hypothesis. When asked

29 The differences in averages between men's formal and informal businesses and women's formal and informal businesses in Cartagena and Bucaramanga are all statistically significant at the 1% level, with the exception of the difference in average debt to assets for men's formal and informal businesses in Cartagena, which is statistically significant at the 10% level. The differences in averages between men and women's businesses, however, are not statistically significant.

what they do with additional profit from the business, slightly more women than men mentioned using the funds to pay down debts (28% versus 22%). The Mujeres ECCO program attempts to address the financing problem by facilitating access to a loan program for start-ups, could be improved by incorporating an appropriate, low-cost financing component into the program itself.

REINVESTMENT IN THE BUSINESS

Previous literature (Powers & Magnoni 2010, Cheston & Kuhn, 2002) suggests that women might divert some profit from the business to reinvest in their households. Spending on education, and basic household needs are often cited as being in the "domain" of women. While these priorities may benefit the household and contribute to the social goals of many of the programs that aim to improve household welfare by supporting women's businesses, they may also interfere with the investment and growth in women's businesses. Focus group discussions with four groups of businesses in our sample for this study explored the differences between men's and women's use of profits by playing a game that allowed participants to place earned profits (using "play" money) into buckets that represented education, savings, and family expenses as well as business expenses. Women spend slightly more in education than men (1,950,000 COP / USD1,050 versus 1,500,000 COP / USD810) and on average and were more likely to place money into the following household expenses than men: education (30% versus 23%), savings for the family (21% versus 15%) and family expenses (49% versus 27%).

Our survey explored this topic more specifically in terms of both successful and unsuccessful businesses. We asked respondents where they invested their business profits. Successful business-women overwhelmingly (21 out of 27) noted that they invested profits in their businesses (while 2 invested in savings and 4 in paying loans). Unsuccessful businesswomen, on the other hand, had more diverse responses: 13 of 34 reinvested in their business, 13 used profits to pay off debt and 8 reinvested in their home. These same differences were not observed between men's successful and unsuccessful businesses. Unsuccessful men were slightly more likely to invest in the home (27% versus 17%), equally likely to pay loans or save, and slightly less likely to invest in the business (47% versus 59%). The need to repay loans, because of higher debt levels, particularly of unsuccessful women (as explained above), may be a factor in why greater differences are observed between successful and unsuccessful women.

E. LABOR AND EMPLOYMENT

SUCCESS FACTORS: LABOR AND EMPLOYMENT

COLOMBIA

Women's businesses have fewer employees on average (1.7 vs 4.1 for informal businesses and 13 vs 18.5 for informal businesses).

Women are more likely than men to use temporary employees.

Women's businesses have higher labor productivity in terms of sales and profit per employee than men's (60-100% greater depending on the metric).

The lower number of employees in women's business is likely a reflection of both their smaller size and the greater difficulty faced by women in finding skilled employees. Women also generally felt less prepared to manage staff than men did.

Women's businesses had fewer employees than men's businesses in our samples in both Bucaramanga and Cartagena (Figure 3 above). In Cartagena, women's informal businesses had an average of 1.7 employees, compared to 4.1 for men's informal businesses,[30] and women's formal businesses had an average of 13 employees, compared to 18.5 for men's formal businesses.[31/32] In Bucaramanga, women's businesses on average had 12 employees, while men's had 15.[33] Both men and women used similar amounts of part-time labor, but more women than men (18 versus 11) used temporary employees, and women also used temporary employees in greater quantities as compared to men (an average of 7.8 versus. 6.0 for men). This difference most likely reflects the smaller size of women's businesses but also the type of business being operated, as amongst industrial businesses women's businesses tend to be more affected by seasonality (such as clothing, shoes and textiles).[34]

Interestingly, although women's businesses are smaller in terms of employees (as well as in terms of sales and assets), they appear to have higher labor productivity than men's businesses, with productivity approximated as sales per employee and profit per employee.

TABLE **13.** Productivity of Labor [35]

	SALES / FT EMPLOYEES	SALES / FT + PT EMPLOYEES	PROFIT / FT EMPLOYEES	PROFIT / FT + PT EMPLOYEES
Women	4,520	4,098	1,011	906
Men	2,716	2,385	508	445

LABOR CHALLENGES

One of the challenges encountered by many of the businesses in Bucaramanga was difficulty in finding good employees. This was mentioned by 92% of women and 81% of men interviewed. Most businesses are looking for additional help in administration (26%) and sales (22%). However, many women (22%) also mentioned difficulties in finding skilled personnel, a sentiment echoed by 80% of the women in the Mujeres ECCO program, many of who are clothing or shoe designers and manufacturers. The issue seems to be that there are a limited number of cobblers and seamstresses that are well trained in these areas, and that it is especially difficult to for new businesses (such as those in Mujeres ECCO) to attract the higher quality workers. It is likely that these qualified workers either decide to work independently (and be outsourced periodically to larger businesses) or gravitate to the larger SMEs in the region where they likely find higher salaries and more job stability. Although a few men (3) also mentioned finding skilled personnel as an issue, in our sample it affected them less.

"In terms of my success factors, one is managing people. It isn't easy to manage the schedules, the emotional part, and to know how to say things. I know how to manage this part."

FEMALE OWNER OF A WOMEN AND CHILDREN'S CLOTHING MANUFACTURER, FOCUS GROUPS, "SUCCESSFUL" BUSINESS

30 Difference in averages not statistically significant.

31 Difference in averages statistically significant at the 5% level.

32 Figures based on the businesses reporting sales to the Chamber of Commerce in Cartagena.

33 Figures based on 120 phone interviews.

34 In our sample from the Bucaramanga database, 25% of women in industry made clothes, compared to 9.6% of men. 3.5% of women made textiles, compared to 1.6% of men. 18% of both men and women made leather products..

35 These figures assume the business owner works and is paid full-time and that part-time employees work 50% of the time. Differences in means for sales productivity were statistically significant at the 5% level. Even when including temporary labor at 50% women still had higher labor productivity.

The research also suggests that managing staff may be more of a challenge for women than men, yet it is important to a business's success. In 20 interviews with new businesses, the business owners were asked to rate how prepared they felt when they started their business about a variety of factors. Generally, women said the felt more prepared than men, except in terms of staff management, where on average, women rated themselves 3.3, versus men who rated themselves 3.7. More experienced businesswomen expressed confidence in their ability to manage staff as well as to delegate functions, the female owner of a landscaping company said, *"in order to be successful you have to be able to delegate work. If an employee doesn't work out I have no problem letting them go."* Through qualitative discussions, women spoke of being less trusting, and how this affects their ability to delegate. One woman noted: *"My daughter runs the operations now and she has trouble delegating. When I ran the business, I had to do everything [because there weren't others], so I didn't need to delegate."* A male business owner mentioned that delegating was critical, especially to people outside the family since family businesses can create very strong emotional bonds and outsiders can do a better job of keeping family dynamics from affecting the business.

The potential that small businesses have for job creation is a key motivation for policy makers to support small businesses in developing countries. While our sample shows evidence that businesses do hire, the jobs are not always stable (including outsourcing and contract work), and may be a greater challenge for smaller, women's businesses with less management expertise. Additionally, it is important to consider the gender implications of the jobs that are created. Women comprised 63% of employees in women owned businesses, but only 43% of employees in men's.[36] This was explored further in focus group interviews. Men showed a preference for hiring men. One man in a focus group says: *"Women are more multifunctional, but they stress out. Men are calmer. Our own women have asked us to hire more men to improve the work environment."* Women showed mixed preferences. One woman noted, *"I prefer to work with men, they are more reliable than women. Women make excuses and lose a lot of time".* Other women-owned businesses, however, showed either a preference, or at least a greater level of respect for the contributions of female employees. A woman business owner noted: *"I like working with women from Santander [the Province where Bucaramanga resides]."* Another woman said outright that she has a problem with men and prefers to work with women. A third woman noted that she has worked with women all her life, *"having faith in one's employees can solidify their commitment to you."*

F. GENDER BIAS AND ITS INTERACTION WITH BUSINESS

OBSTACLES: GENDER BIAS

COLOMBIA

Although not captured by our surveys, focus group discussions revealed instances in which women faced gender biases. The most common instances were husbands who do not support their wives' businesses and jointly owned businesses in which the balance of power was skewed toward the husband.

The subtle issues related to gender bias were not captured by our survey, but surfaced at times through focus groups and individual interviews. Despite the great strides made in improving gender equality in education and the workforce in Colombia, the biases that many female entrepreneurs confront have by no means been eliminated. It is a "soft" factor that was mentioned directly by some women and one that we also observed during husband-wife interactions during a focus group.

36 Difference in averages significant at the 1% level.

The gender bias we observed came mostly from spouses. Some women mentioned feeling pressure from their husbands to spend more time at home or with the family, rather than with the business. *"Sometimes my husband complains about the time [I spend working], but I give it happily"* said the owner of a small tourist hotel and Mujeres ECCO beneficiary. Although she has been able to withstand pressure from her husband, many other women may not be as well equipped to do so and their businesses may suffer as a result. Just as unsupportive spouses can hinder business growth, supportive spouses can have the reverse effect. The owner of a successful natural spa and healing center that we interviewed in person told us that her husband does not work in the business but *"50% of the success of my business I owe to the emotional stability that my [second] husband gives me."* Her first business, which she opened during her first, bad marriage, failed within a few months.

In several other cases, both the husband and wife work in the business, but the balance of power appeared to be very unequal. In a couple, only the husband received a salary for his work, despite the wife also working full time. In one of the focus groups designed to be for women, three women came with their husbands, as they were joint businesses. During the focus group, the husbands quickly responded to the majority of the questions even when they were specifically addressed to the women.

> *"The values in Bucaramanga are machista, but in the end, it is the women who carry the weight of the business."*
>
> WOMAN OWNER OF A CONFECTIONERY STORE, FOCUS GROUPS, "SUCCESSFUL" BUSINESS

There were also a few cases of third party gender bias and harassment. The case of one Mujeres ECCO participant highlights a more extreme case of gender bias encountered by women in some industries. A successful jewelry designer, she has confronted gender bias and harassment several times during her work, as the jewelry industry is largely dominated by men. Men have offered her access to the market or other favors in return for sexual favors. She says, *"I have an agreeable face and that's why they harass me. But I am strong. I am a warrior….Nobody breaks me…I have been a victim of machismo because of the circle of men that control my industry."*

While these anecdotes are not sufficient to "prove" bias, they do suggest that some gender bias exists and negatively affects many women business owners. Moreover, these are cases of existing businesses owners, but these same biases may discourage many other would-be entrepreneurs from even opening a business. Changing these dynamics and social conventions is not simple, and likely exceeds the scope of most programs aimed at supporting entrepreneurship. More importantly, efforts to change social conventions need to involve both men and women at the household, business and community levels. These cannot be fully addressed simply by supporting women. Nonetheless, programs such as Mujeres ECCO, which are focused on women's entrepreneurship allow women the opportunity to meet, learn and share in a safe environment with other women. This type of support might be useful in helping women feel more self confident, and in developing strategies to cope with these challenges (see Box 6).

BOX **6.** How Mujeres ECCO addresses gender bias

About half of the women in Mujeres ECCO we interviewed in person said that they liked that the program was only for women, especially the group activities in the program. According to one woman: *"I don't think that the program should be opened up to men. It is nice to have something just for women and the dynamic would change if men were included….I would love to serve as a mentor for other women in the program in the future."*

For a few women, the program has done more than just give them the opportunity to network and share with other women, it has also given them the strength to standup to controlling husbands and start their own business. "Maria" (50) is married to an older man (70). He always worked and made enough money to support them so he did not want her to work, nor leave the house unaccompanied unless necessary. Upon starting Mujeres ECCO, one of the consultants in program trained her not only on how to market her business to her customers, but also how to sell her business to her husband so that he would permit her to run it. Maria's husband's initial response to her pitch was, *"Oh, you need money? Here. Why work?"* However, she was able to convince him of her idea, and finally, rather than handing her money for her "expenses", her husband provided her with the seed capital she needed to start the business.

Although generally, Mujeres ECCO has done a lot to promote female entrepreneurs, it is important to note that the majority of consultants are men. Luckily, most appear to be gender sensitive and have a great deal of respect for Bucaramangan women, but this could make some women less open to share some of the challenges they face as women or uncomfortable with the consultants if they have experienced gender bias in the past.

6. POLICY RECOMMENDATIONS

The policy recommendations below stem from the analysis of the investigation outlined above as well as the evaluation of the IDB/MIF's Women's Entrepreneurship Support program in Colombia, Mujeres ECCO. However, many of these recommendations hold a broader relevance to policy makers, donor agencies, financial institutions and organizations supporting the development of women's businesses throughout Latin America. Our literature review identified many parallels between women's businesses (more typically smaller, more informal, slower-growing, more capital constrained) and men's businesses in the region. As such, many of the recommendations below can be adapted to similar contexts region-wide.

SUPPORTING WOMEN'S SMALL BUSINESS GROWTH IS NECESSARY TO ACHIEVE BROADER ECONOMIC DEVELOPMENT: Policymakers targeting employment creation and the generation of economic activity may consider that men's larger businesses might offer greater opportunities to generate employment. However, recent research by Bauchet and Morduch (2011) in Bangladesh, indicates that the typical SME employee in a small businesses is very different than the typical microcredit borrower, with employees being overwhelmingly men and microcredit borrowers overwhelmingly women.[37] If policy makers' goals are specifically to help women, direct assistance to help create women owned business and to help micro or small businesses reach the next level may be more effective. This study finds that women start businesses with greater capital constraints than men, suggesting that there is an untapped market for new business start-ups as well as for greater growth of existing small businesses. While both men and women face constraints to starting and growing businesses, women seem to encounter greater difficulties. Yet women's businesses have significant potential to be scaled up. Programs such as Mujeres ECCO target many of the challenges of women's businesses for example. Furthermore, targeting women might offer opportunities to create models for more gender inclusive economic growth. Growth of women's small business can place more wealth in the hands of women, increasing their empowerment and narrowing some of the gaps between men and women. It can fuel networks of women along the value chain that support each other, offer mentorship and modeling opportunities for young women entering business, and potentially create new jobs for low-income women. Nonetheless, the promise of job creation should be interpreted with caution. Our surveyed businesses still only offered 12-15 jobs per business, after an average 8-10 years of operation. High business failure rates also suggest that some of these jobs are quite unstable.

SUPPORTING YOUNGER WOMEN CAN HELP OVERCOME THE OBSTACLES TO GROWTH: Our study found that successful women were on average 11 years younger than unsuccessful women. Youth can be an advantage for all business owners, but particularly for women, when they are unmarried, do not yet have children, and may still have significant support from their families. At the same time, these young women lack experience: they often have not worked in another business prior to starting their own, and do not have the knowledge and access to networks that work experience can bring. Further, they have not had an opportunity to save funds needed for start-up capital. While some younger women may benefit from postponing entrepreneurship in favor of formal employment, they may miss some of the advantages that youth brings. Support tailored to the needs of young women can also help to build some of the skills and resources that they have not developed through experience. Such support should focus on training, building networks, and improving access to capital, such as savings when they are beginning their studies and start up loans when they begin their businesses.

Overcoming the challenges to growth based on sector selection may require reaching young women even earlier, before they enter the workforce. Much of the achievement gap between men's and women's businesses seems to be tied to the fact that women work in inherently lower profit, highly commoditized sectors. Encouraging women to gain education and experience in higher profit but traditionally "male"

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37 Although that study looked at the profiles of microentrepreneurs and here we are discussing small women owned businesses, the gender differential is substantial, and partial linked the work schedules and lack of flexibility that employees are subject to, something that affects women more than men.

sectors can help to narrow this gap, but requires overcoming strong cultural norms. Targeting girls and young women before they have been channeled into low-profit sectors can help to do so.

NEW BUSINESSES NEED SPECIAL ATTENTION AND CREATIVE NEW SUPPORT: To support the creation of new businesses, in particular for women, integrated solutions seem most effective. Our study finds that credit is not always seen favorably, and indeed can burden a business. However, many women start their businesses with loans as they do not have sufficient start-up capital (see recommendations below). Access to start up loans and lower interest rate loans would help, but financial institutions need to feel confident that these will be repaid. Banks' often rigid lending criteria is not favorable to start-ups, young borrowers, and lower income clients, yet these are exactly the types of groups that have the most to gain from early stage loans. Close partnerships with financial institutions that test out new loan products that are offered in conjunction with training can help. For start-ups, close monitoring, including early stage support with business planning and preparation, improves the chances of a successful start. A lack of planning and understanding of the market and the competition, as well as a lack of understanding of the financial resources required, were the main reasons that the new businesses we interviewed had failed. Good business planning can help women to secure financing and minimize their risk of failure. To get past the 42-month critical period during which most businesses fail, they are likely to benefit from periodic follow-up support through a formal programs like those designed for existing businesses or through a business network.

DESIGN AND IMPLEMENT BUSINESS TRAINING PROGRAMS FOR WOMEN: Despite its relatively well-educated population, many small business owners in Bucaramanga could still benefit from additional training. One reason for this is that university degrees, especially in technical fields such as engineering, do not prepare one to actually manage a business, especially the financial, marketing, staff management and planning components. These are subjects often learned best on the job or through mentorship and practical training programs. As fewer women have formal sector work experience than men (36% versus 53% in our sample), they may have a greater need for supplemental business training. One subject that may be especially important for women is the importance of marketing, market knowledge and knowledge of the competition. This was a success factor mentioned by far more successful businesses than unsuccessful businesses and one which women seem to be less aware of. It is also an area where traditional training tends to fall short. Market knowledge requires constant updating, and an understanding of an array of sectors and market dynamics. Budgets for this type of expertise are typically low. Partnerships with local research institutes and universities may help fill the gaps by ensuring that markets and trends are consistently analyzed and kept up to date. Local Chambers of Commerce can be a useful repository and distributor of some of this information while one-on-one training may still be needed from time to time to help businesses apply the information to their strategy.

Any training program targeting women should be sure to take into account their busy schedules and the multiple responsibilities that they often have (i.e. business owner, wife, mother, homemaker). Our interviews with women showed that lack of time was the single biggest constraint for women to pursuing additional business training, mentioned by 53% of interviewees, while only 16% of men mentioned time as a constraint. The time commitment was cited by several women as the reason they left the Mujeres ECCO program. Thus trainings should be scheduled when women are most likely to be free, although the timing is likely to vary depending on where in their life cycle they are. It would also be beneficial to bring the training to women, or at least as near as possible to their workplace or home. For existing businesses this is especially important. Moreover, training which can be individualized for the business (such as one-on-one consultant) is likely to be more valuable and more practical for many existing businesses, although also more costly. Virtual or online training components are another way to make training more sensitive to women's time. However, women's demand for these should be vetted before investing too much, as men in our sample were more like to get training from the internet than women (24% versus 12% out of 51 interviewees).

REDUCE BARRIERS FOR WOMEN TO FORMALIZE THEIR BUSINESSES: At least in Bucaramanga, the benefits and opportunities of formalization seem to far outweigh the costs. However, fewer women are formalizing their businesses and thus are missing out on these opportunities. As a first step, further research on why fewer women are formalizing their businesses is recommended. This research should seek to identify any gender specific impediments to formalization and whether these are real or perceived impediments; detail the costs involved in formalizing; and whether there is a minimum size of business in terms of assets, sales, or profit that must be reached to justify formalization (if there is, it is likely to vary by sector). Based on this research, programs might be designed to help women overcome the impediments they may face to formalization if appropriate.

SUPPORT THE DEVELOPMENT OF A BROADER RANGE OF FINANCING OPTIONS: As women are more likely to borrow in order to start their business and are also more likely to have problems with liquidity in their business, it is necessary to better understand what type of financial products are currently available to them and to what extent they are meeting their funding needs. A particular concern in developing products for women is that their smaller businesses and lower level of assets can keep them from accessing traditional business loans. However, as we noted above, socio economic status is not necessarily an indicator of a business' success. New initiatives to develop character-based underwriting criteria can be a useful replacement for traditional loans. The Entrepreneurial Financial Lab's (EFL) psychometric entrepreneurship scoring mechanism, for example to develop credit scoring mechanisms based on personal and psychological characteristics, which offers potential for expanding financial access to both men and women who have typically been excluded from traditional SME lending, and initial exercises have shown it to be equally or more predictive of repayment than traditional underwriting criteria.[38]

- **START-UP LOANS:** While many women start their businesses with loans from friends and family, some are borrowing from formal institutions. However, it is likely that they are taking out personal loans, rather than business loans, as there are very few sources of start-up loans available in Colombia. Loans from microfinance institutions in the area may be more flexible, but they typically require that a business be in operation for a year before they will consider lending. This makes it especially difficult for women from lower income segments or without guarantors to access loans to start their businesses. Fundación COOMEVA is one exception. It offers start-up financing up to 30,000,000 COP (~USD16,000). However, the overall cost of the loans, including cooperative membership fees, can be quite high and there is generally a 6 month waiting period before a member can apply for a loan. There is room for policymakers to consider creating mechanisms to expand the supply of start-up loans, through guarantee programs, such as the USAID DCA guarantee, that target women's businesses. Risks can be mitigated by linking these to programs such as Mujeres ECCO that offer business training. Additionally, technical assistance to financial institutions to develop new underwriting procedures that are more flexible toward women may be useful. We explore these concepts in more depth below.
- **CREDIT LINES:** Another financial product that could help women's small businesses is access to affordable and flexible credit lines. Many women work in businesses where there are large seasonal fluctuations in cash needs and where payments from vendors are often slow in coming (such as the production of clothing and shoes). Additionally, more informal businesses (where women are concentrated) suffer from pressures on liquidity caused by their customers paying on credit themselves. Understanding women's business cash flows and credit needs more precisely could help design better products, including credit lines, that can help alleviate liquidity pressure without lacing the burden of larger lump sum loans on the business. Further exploration through specific analysis would benefit the development of such products.
- **INVESTMENT LOANS:** Affordable, longer-term loans that can be used for larger investments are also needed. As fewer women operate formal businesses, their financing options are limited and many of the

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38 Bailey Klinger, Presentation by the Entrepreneurial Financial Lab (EFL), Peru. G20 Strengthening Access to Finance for Women Entrepreneurs, Foromic XIV, Costa Rica, 2011.

sources of financing for informal businesses in Colombia are likely to geared towards microentrepreneurs, not small businesses, which have larger, and longer-term capital needs. Most businesses are unlikely to be able to support the higher interest rates that typical loans for microentrepreneurs carry. As mentioned above underwriting practices need to be more flexible to be inclusive of these types of clients that may have strong businesses but a reduced ability to offer guarantees.

SUPPORT THE CREATION OF WOMEN'S BUSINESS NETWORKS: During our interviews both men and women mentioned the importance of knowing people and/or belonging to business networks as important to their success. Informal networks of friends were important in helping some formalize, and a formal network has helped another with her marketing her products/jewelry. Conversely, many women expressed frustration that they did not have a formal network. Graduates of Mujeres ECCO were most likely to mention this frustration after having experienced the benefits of sharing and learning from their peers during the program. Many expressed an interest in creating a formal network for graduates, and perhaps other women entrepreneurs, but neither they nor the Chamber of Commerce, has experience in organizing such a network. Going forward, it would be worthwhile for the MIF to consider incorporating financial and organizational support to create women's business networks into its other programs to assist female entrepreneurs.

INCORPORATE BETTER MONITORING AND EVALUATION INTO PROGRAMS FROM THE START: Mujeres ECCO offers an exciting example of a program aimed at reducing some of the barriers discussed in this study. However, one of the program's weaknesses (see Appendix I) is that it did not set up an easily accessible plan to capture, monitor and analyze data. Some basic programmatic indicators, such as number of program beneficiaries are tracked, but there is no central database where beneficiaries' personal and business information is stored. Given the strength of the relationships between the Chambers of Commerce and the program beneficiaries, there is ample room to improve the monitoring and evaluation function of similar programs in the future, with funding allocated to this function as needed. Programs such as these should collect baseline and follow on data and store these in a centralized database. Additionally, when evaluations are designed at the start of a program, it may be possible to conduct more rigorous impact studies that would allow for the selection of control and treatment groups and offer a causal analysis of the results. Caution should also be taken when tracking participants in a program. Unless drop-outs and "failures" are tracked, the results of an evaluation might overestimate the potential impact of a program. For example in the case of Mujeres ECCO, data is collected on all 6,000 applicants who attend an initial sensitization session, however, only 600 go on to the next stage and only 200 will complete the program in its entirety.

ALIGN PARTNER SELECTION WITH PROGRAM GOALS: Different types of institutional partners can offer their support to programs aimed at strengthening women's small businesses. Selecting a financial institution, a Chamber of Commerce or business association, a training institute or a combination should be determined based on the on the type of program and who the target beneficiaries are. For example, for training programs, Chambers of Commerce and other business associations have advantages over a financial institution that enable them to deliver training more broadly. They have access to a wider range of businesses, as their membership includes those with financing from multiple institutions and those without financing. In the case of Bucaramanga, for example, the Chamber of Commerce was also well equipped to offer training, with conference and training rooms on its premises, and existing relationships with external trainers. In addition, offering training and support for businesses does not stray from their core mission, as it might for many financial institutions, but rather reinforces it. Working with a Chamber of Commerce also has some limitations: their membership bases are likely to exclude the smallest, least formal businesses (if this is the target), suggesting that those who need the most help might be excluded; their infrastructure is typically small and centralized, and they do not typically have branch network to leverage to bring training closer to the businesses; their relationships with businesses involve much less frequent contact than financial institutions; they may not be as up to date on new market trends as universities or training institutes; and finally, data collection and management are not typically a strength of these institutions.

Training alone may be limiting as an intervention, and a training program run by a Chamber of Commerce or association might be most effective when combined with strong partnerships with both training institutions (who have the market skills and know how) and financial institutions (that can offer capital for growing businesses). In the case of the Mujeres ECCO program, where a Chamber of Commerce was the implementing partner, well-qualified consultants were available without the need to work through an institute. However, they are less able to help with sourcing new knowledge or young graduates with knowledge and skills the way a technical institute or university might. Additionally, close and formal partnerships with financial intuitions can leverage the work of training programs. Constraints to capital are a challenge for women's businesses and guarantee funds or a small grant funds for business plan competitions might provide women, including those from lower socio-economic segments, with the motivation to push forward in their business by reducing one of the key barriers they face.

It is important to note that Bucaramanga is an especially entrepreneurial region in Colombia, where women are seen to be strong and independent. Consequently, the Chamber of Commerce has made great efforts to track its businesses and keep data that is disaggregated by gender. This may not be the case in other Chambers and Associations, however. When considering partnerships, donors should vet potential partners for capacity to 1) implement the actual training program, 2) reach out to a broad member base and 3) manage the administrative tasks required, including improved monitoring and evaluation.

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APPENDICES

1. SUMMARY EVALUATION OF MUJERES ECCO

I. INTRODUCTION

In 2009, the Multilateral Investment Fund of the Inter-American Development Bank (MIF/IDB) implemented Mujeres ECCO, a program aimed at increasing women's participation in the economy through the creation and support of sustainable innovative businesses. The program involves business training and strengthening services over a four-year period, and is summarized in the box on page 23 of the paper above. It plans to reach 300 women owned businesses over 4 years and will be completed in 2013. It has four regional implementing partners in Colombia: the Chambers of Commerce of Bucaramanga, Cartagena, Cucuta and Barrancabermeja. It is divided into two components: the Entrepreneurship Program, which aims to create 200 new business plans and businesses; and the Business Strengthening Program, which aims to strengthen 100 established businesses. Between October 2011 and March 2012, EA Consultants performed an evaluation of Mujeres ECCO, focusing more on the Entrepreneurship program. The majority of the evaluation was implemented using qualitative methods since the Mujeres ECCO program does not track personal and business information of participants, let alone drop-outs. We collected information provided remotely as well as on two field visits to Bucaramanga. Additionally, we implemented 12 in-person interviews and 24 phone interviews with Mujeres ECCO participants. The evaluation was implemented in conjunction with a broader study on women's small business in Colombia (above), which offered a greater quantitative understanding of the context that women's small businesses work, providing further insight into the program's strengths and challenges. A detailed description of the methodology, including the broader study of women's businesses is provided in the main section of the paper above.

II. PROGRAM STRENGTHS:

STRONG IMPLEMENTING PARTNERS: The Chambers of Commerce are well-organized and effective partners for the Multilateral Investment Fund. The Chamber in Bucaramanga has been especially well equipped to manage the project as it has an area specifically dedicated to managing third-party funded projects; has conducted similar trainings in the past, although not specifically for women; and has a good reputation with local businesses. Half way through the program, Mujeres ECCO is well on its way to meeting the targets laid out at the start and it will likely exceed the majority of its targets. As of December 2011, in the Entrepreneurship Program, 3,989 (target 6,000) women had gone through the introductory and recruitment phase, 501 (target 600) through basic training, 425 (target 400) completed the creativity module, 259 (target 400) business plans had been created, 106 (target 200) new business plans were being implemented.[39] In the Business Strengthening Program, 84 businesses had finished the diagnostic plans and 63 had completed their innovation plans (target 100).

STRONG AND IMPROVING QUALITY OF TRAINERS: Consultants hired by Mujeres ECCO to provide training and advisory to beneficiaries are well qualified, have experience both in business and in helping businesses, and have excellent interpersonal skills. For example, one marketing consultant worked for almost 20 years in large companies in Bucaramanga (often with a female boss), but now teaches at a university and consults for large business, USAID and Mujeres ECCO. He still comes across as youthful, energetic and committed and was very highly regarded by the participants in the program. One woman said, *"He helped me so much. I really identified with him."* The program has been flexible in identifying the needs of the participants and adapting their consultant pool to these needs. Chambers have learned that some of the most important skills are in fact adaptability and communication. Consultants spend a lot of time on individual mentoring, sometimes business related, sometimes

39 Not all these businesses were completely new. Some women participated in the Entrepreneurship Program even though they had an existing "activity," albeit generally small, informal and unorganized.

emotional or family related, and the hours can be unpredictable. Mujeres ECCO has adapted along the way, retaining the consultants that were adaptable and successful in the unique work environment and who received the most positive feedback from program beneficiaries. The experience of Mujeres ECCO highlights the fact that when selecting these types of consultants, personal qualities (such as adaptability, commitment, and enthusiasm for the mission), in addition to work experience, should also be incorporated into hiring criteria. One potential set back is that only 3 of the consultants in Mujeres ECCO are women, in part because of the original selection criteria defined by the program (see below).

HIGH LEVEL OF SATISFACTION FOR WOMEN WHO STAY IN THE PROGRAM: Beneficiaries showed a strong level of satisfaction with the program. Nearly all graduates we spoke to said they were extremely satisfied and ranked the program as a 4.5 out of 5 overall. Satisfaction levels did vary a bit by topic, especially when differentiating between new and established businesses. Overall, the Creativity Module and the one-on-one training with the marketing and strategy experts received the highest rankings. The one-on-one training with the training with the finance expert received the lowest ranking (although still good at 4.0). This may be because finance is the hardest topic to learn without prior experience and because one finance expert in particular was not considered to be very good (he is no longer with the program). For established business owners, the areas receiving the lowest rankings were the group sessions, perhaps because they were in the minority; the business plan, perhaps because the exercise seemed too academic given they already had a business; and the one-on-one sessions with the finance expert. They ranked all these areas much lower than the new business owners. Interestingly, they ranked the one-on-one with the marketing expert much higher than the new business owners. This is perhaps because they were immediately able to apply and see results based on his assistance. Although program graduates were generally satisfied with the program, the relatively high rate of voluntary attrition (approximately 20-25%) suggests that there is room for improvement (see below).

> *"I came from Venezuela with the hope of just being able to work peacefully, but I have found so much more than I could have imagined with the help of Mujeres ECCO."*
>
> A RECENT IMMIGRANT FROM VENEZUELA AND WOMEN'S CLOTHING DESIGNER

FIGURE **4.** Beneficiary Rankings of Mujeres ECCO (out of 5)

STRONG AND APPROPRIATE FOCUS ON MARKETING AND COMPETITIVENESS: For many of the women this was the single most useful part of the program for them, especially for the established business owners (mentioned by 6 out 8 as most important). The owner of a tourist lodge, said, *"Marketing and creativity has been very interesting because they taught us how to offer new experiences to* *the clients."* A clothing designer who completely reworked her original business idea and distribution plan during the program said, *"The program taught me how to think. I loved the creativity module because it made me think about what the product really is, who the target clientele is and alternative ways of reaching this market."* Given that market knowledge and knowledge of the competition are two of the areas identified by successful businesses as being very important in the non Mujeres ECCO interviews, yet one where women are lacking (see Section 5B), the program's focus on this is especially relevant.

OVERCOMING OBSTACLES: IMPROVING MARKETING AND COMPETITIVENESS

MUJERES ECCO

The focus on marketing and competitiveness is appropriate in light of our study's finding that lack of market knowledge is viewed as a crucial obstacle by small business owners and in particular by women. Mujeres ECCO can help participants address and overcome this obstacle early in their businesses' lives.

OVERCOMING OBSTACLES: EMPOWERMENT

MUJERES ECCO

By providing support, resources, and encouragement that they often do not get elsewhere, Mujeres ECCO can inspire participants to move forward with their business and face challenges with confidence.

ENHANCING SUCCESS FACTORS: CREATING NETWORKS

MUJERES ECCO

The importance to participants of the consultants mentioned above and of building networks of peers highlights the importance of building strong and broad networks. This is especially crucial for women, who, as we found in our study, often have smaller and narrower networks than men.

CREATION OF INFORMAL NETWORKS OF WOMEN ENTREPRENEURS: According to the owner of a cotton candy events company, *"The most useful [aspect of the program] is the networks of people and participants that Mujeres ECCO offers."* Thanks to the group training structure of the program as well as some of the complementary activities, such as sending women to trade shows, Mujeres ECCO is helping to create a network of female entrepreneurs in Bucaramanga (and perhaps in the other cities as well). At the moment this network is still informal, with women in similar or complementary industries helping each other out. For example, a clothing designer who already has her own shop and clientele has given space to a jewelry designer and a shoe designer that she met during the program. There is talk and a desire by many women to create a formal "Mujeres ECCO" network, however, neither they nor the Chamber has the experience and funds to do so. In the future, it would be beneficial for intensive training programs such as this, which are likely to create strong connections between beneficiaries, to capitalize on these by helping to formalize these networks, and thus lengthening and broadening the benefits of the program.

HAS MOTIVATED, INSPIRED AND "EMPOWERED" MANY WOMEN, HELPING TO OVERCOME LINGERING GENDER BIAS AND RISK AVERSION: Over half of the women in Mujeres ECCO that we interviewed were inspired by the program to leave their jobs in the formal sector to follow their dream of having their own businesses. Some of these women already had a small business on the side, but the program inspired them to truly "invest" in their business and treat it as a firm. For others, they had a clear idea of what they wanted to do but did not have the knowledge, tools and/or confidence to actually start the business prior to participating in the Mujeres ECCO program. The owner of a recycling company said that the single most useful thing about the program was to *"lose the fear. It helps you lose the fear and propel yourself forward….It helps a lot with the psychological part."*

GOOD APPLICATION OF LEARNING AND LESSONS: Despite not collecting sufficient data to effectively monitor the impact on women's businesses and households from the program, the program is committed to learning from its experience and adapting accordingly. The program is managed out of Bucaramanga, with the director visiting the other Chambers regularly, and there are also opportunities for project coordinators from the 4 cities to meet. There are good formal and informal feedback mechanisms in place to capture the opinions of beneficiaries in the program, and many changes have been made quickly. For example, a participant in cohort 2 mentioned how important the Creativity Module had been, but that she felt it came too late in the training, by cohort 3 this had been remedied. There was also some negative feedback about finance tools and training being geared more towards commerce and production businesses than services businesses. The program's solution was to divide participants by business type to make the finance training more useful. As mentioned above, the program has also responded to participant and consultant feedback regarding consultant selection. Although the official criteria have not changed, the program has rehired the consultants that have been most successful in the program, rather than continuing to divide the work between a larger group of consultants as originally envisioned. This also serves to capture the learnings of the consultants within the program, hopefully increasing their effectiveness for future cohorts. Lessons from this evaluation and study should also help build new program design ideas going forward.

VS MEN'S VS. WOMEN'S BUSINESSES

MUJERES ECCO

The program is working for participants to improve several performance indicators in which women's businesses typically underperform compared to men's:

- It creates new women-owned businesses (while men's businesses are typically more numerous)
- Businesses have relatively high sales and rapid growth in sales
- Businesses create relatively high employment compared to other new businesses

POSITIVE INITIAL ENTERPRISE PERFORMANCE INDICATORS: It is still too early to say how well the businesses themselves are performing. The program is mostly focused on creating new businesses and these new businesses have only been around for 6 months to a year and a half. Moreover, the program itself is not tracking individual business performance (see below). However, at the time of the study all of the businesses created were still in existence, while of the 20 new businesses interviewed that were not in the program, 2 had already failed. Moreover, the newly established Mujeres ECCO businesses we interviewed already had an average of 3.7 employees and approximately US$2,400 in monthly sales, compared to 2.3 employees and US$1,700 for non Mujeres ECCO newly established businesses.[40] For the established businesses in the program, they have experienced an average growth in employees from 3.1 to 5.4 and an average growth in sales of 47%, within a 6 month to year and a half period.

40 Sample sizes too small to say that these differences are statistically significant.

III. PROGRAM WEAKNESSES:

SELECTION BIAS MAY BE EXCLUDING WOMEN WITH GREATER NEEDS: The selection criteria for the business creation program were stringent: women had to have a university degree and their own resources, or access to such resources, to launch a business. This profile was often difficult to find, especially outside of Bucaramanga where the economies are less developed and the population less educated. (Our interviews with women in Bucaramanga showed that only 60% of women business owners had a technical or university degree, and that there was no difference in their

WHY WOMEN?

MUJERES ECCO

The stringent selection criteria lead Mujeres ECCO to focus on women who tend to be relatively well off, both more educated and often higher-income than many other small business owners. This draws us back to the initial question of what a program supporting women's small businesses hopes to achieve through the effort. The Mujeres ECCO program appears to be valuable for the women who participate and, at least by initial measures, may promote economic development. However, the program's outreach is limited by its high cost and a broader group of more disadvantaged women are excluded, possible disadvantages from an equality perspective.

successfulness). One reason cited for targeting women with high education levels was to ensure that participants would have sufficient background to step into the classroom training environment. It also aimed to ensure that the program would back good prospective businesses, but may have done so at the expense of efforts for broader socioeconomic inclusion. Additionally, 30% of the women who have participated in the entrepreneurship program actually already had existing businesses, even though their businesses were quite small and informal and described as an "activity" rather than a "firm" or "company". This likely reflects the difficulty the program has in identifying start-ups that meet the criteria as well as potential pressure to "pick winners." The results of the study above suggest that the selection criteria established for the program may have been overly conservative, and that success factors are more related to issues of character and product quality can be more predictive of success than socio economic status and education. More complex, yet potentially more inclusive screening criteria should be developed in these types of programs. Additionally, efforts to adapt training to lower levels of education might offer the opportunity to include more women with equally high potential but less formal education.

COSTLY PROGRAM TO IMPLEMENT ON A PER BUSINESS BASIS: The project set out to create 200 new businesses and strengthen 100 new businesses. This implies that the cost of the project on a price per business basis is more than USD10,000 (when the Chambers' counterparty funds are included). This is relatively expensive, especially compared to other training programs in Colombia that offer training (albeit less intense).[41] However, the business owners themselves are not the only beneficiaries of the project. Indirectly the new employees of the businesses are also beneficiaries. As of December 2011, the 24 businesses we spoke to in our phone interviews had an average of 4.2 employees. The businesses in the first cohort, who started their businesses in late 2009/early 2010, had an average of 4.4 employees. Thus if we assume that at the end of the program the 200 new businesses created will have an average of 5 employees each (including their owners), and that the businesses in the Business Strengthening Program will add an average of 2 employees because of the program, the total number of beneficiaries for the program will be 1300 and the cost per beneficiary will fall to $2,500. This is still relatively high, but the job creation figures are quite conservative as they assume very limited additional growth of the businesses in the early cohorts.

Programs such as these can be justified financially in two ways. The first is when the lessons from relatively high touch and costly programs can be applied to lower touch initiatives that can cost less and

41 For example, Interactuar in Medellin, Colombia.

reach broader scale. For example, if technological adaptation can replace more high touch training or if women who pass through the program become mentors and trainers in the future and build richer larger networks of women's business support. Alternatively, if work done during the program (such as publicity and branding) can be leveraged to expand the program to new participants and new cities without the same incremental costs. The second is when these programs can show that the impact on employment (and potentially employment equality of men and women) can be dramatic. The current goals of Mujeres ECCO fall short of offering these opportunities. Greater emphasis on monitoring and lessons learning could be a first step in leveraging the program for broader goals. Future programs should be more rigorous in their cost-benefit analysis.

REMAINING OBSTACLES: FINANCING

MUJERES ECCO

Finding appropriate, low-cost financing is particularly important for women, who often start their businesses with fewer resources than men do. While Mujeres ECCO helps to address this problem by facilitating access to a loan program, the program could better meet women's needs by incorporating a lower cost option into the training program itself.

FINANCING COMPONENT FOR NEW BUSINESSES WAS NOT INCLUDED IN THE PROGRAM: One of the biggest challenges cited by Mujeres ECCO project staff and program participants has been finding funding to actually launch the business once the business plan is complete. Although the participant profile outlined in the project design called for women to have their own resources to launch their business, the financial position of some women changed during the course of the program and/or the amount of funding needed to start the business changed as the business plans developed. Unfortunately, there are limited sources of funding for start up businesses in Colombia, and most women were only able to start their businesses if they had savings or help from family members. The Chamber of Commerce has tried to help the participants find loans for their businesses and has arranged bank meetings and fairs, however, but most women have not met the requirements of mainstream lenders. One exception is Fundación COOMEVA[42], which has loan program for start-ups, and with whom the Chamber has facilitated several loans for Mujeres ECCO participants. According to a representative of Fundación COOMEVA, they have a very good relationship with Mujeres ECCO and have been impressed with the quality of the loan applications and business plans from program participants. The Chamber was even successful in getting Fundación COOMEVA to waive its 6-month waiting period into the Cooperative before a member can apply for a start-up loan.

Nonetheless, the loans from Fundación COOMEVA can be quite expensive when the cooperative membership fees are included. Ideally a training program to create new businesses would include a financing component set up a priori to help these businesses get started in countries with few sources of finance for start-ups. For example, a partnership with a MFI or other type of financial institution could have been established during program design; funding could have been allocated for a guarantee fund for program participants; or funding could have been allocated for a small grant fund offering seed capital for the women with the best business plans.

MAJORITY OF THE CONSULTANTS/TRAINERS ARE MEN. Although working with male consultants did not seem to bother the women that we spoke to (all in Bucaramanga), having an equally good female consultant could positively change the dynamics of the group sessions and also provide the program participants with a strong female role model. Some women might feel more comfortable with a female consultant, as might some women's families where there is still a high level of machismo or gender bias. According to program staff, there are female consultants qualified to work with the program, but the issue is that the selection criteria for consultants established at the beginning of the program favored men as years of experience was heavily weighted.

42 The philanthropic arm of the cooperative, Cooperativa Médica del Valle y de los Profesionales de Colombia COOMEVA.

TRAINING PROGRAM IS VERY TIME INTENSIVE, ESPECIALLY THE ACTUAL ELABORATION OF THE BUSINESS PLAN. Women interviewed said that they spent up to 20-30 hours a week on their plans. While most of the women who have completed the Mujeres ECCO program were very happy with the program, approximately 20-25% left the program, usually during the development of the business plan. The

REMAINING OBSTACLES: TIME

MUJERES ECCO

Balancing family responsibilities with the business is a significant challenge for many women, especially those with young children. The program involves a substantial time commitment, especially in developing the business plan, and it is difficult for some women to keep up.

women we spoke to that left the program voluntarily, did so in part because of the time commitment necessary to develop the business plan was too much given their other responsibilities. One women said, *"It was a 'brick.' They wanted the document to be all methodologically correct and we didn't have time. I felt like I was in school."* Another said, *"There are women that have a lot of time and can do the business plan. They are single or only have one child, but they don't already have a business."* In reality, some women started the program after having initiated a business (which they often differentiated as an "activity" because it was quite informal), and keeping up with the material was a burden. One of the consultants for the program also felt like the business planning phase of the project was too long and that many women lost motivation and time in starting their business. Eliminating the development of the business plan completely would change the program significantly and many women felt that the plan was very useful. However, if the program is replicated, the business plan elaboration should be more practical as opposed to academic and the time shortening, with more support during implementation.

This would allow the women to also learn by doing and to be able to incorporate this learning into their business plan while still receiving support from the program. One participant, a manufacturer of leather products, said *"I believe that as you develop the business plan you should also start the business, so that they are in tandem. That way you can see what errors you have made…the plan shouldn't just be on paper."* Some women also mentioned that the timing of the trainings was difficult with their family responsibilities (currently 6-9:30pm).

WEAK MONITORING AND EVALUATION: There was limited beneficiary level monitoring and evaluation incorporated into the project design. Thus, one of the weaknesses of Mujeres ECCO now is a lack of easily accessible data to analyze. The basic indicators in terms of number of beneficiaries reached at each stage are available, but there is no central database where beneficiaries' personal and business information is stored and tracked. Much of this data is collected during the recruitment and screening process, but it is not stored, nor is it is updated periodically despite the strong relationships and frequent access that the Chambers have with the program beneficiaries. Ideally, all beneficiary data should be stored in a centralized database and updated periodically as appropriate. Data on applicants to the program who were not selected to continue should also be stored for future analysis purposes. In the future, funding to ensure such data is collected, stored and tracked should be allocated during program design.

2. LITERATURE REVIEW: SUCCESS AND FAILURE FACTORS

FACTOR	EFFECTS ON WOMEN'S BUSINESSES
Motivation	Women are less likely than men to be motivated to start a business by a perceived opportunity and more likely to be motivated by need or lack of other opportunities (Allen et al., 2008; Morris et al., 2006; Terjesen & Amorós, 2010; World Bank, 2010).
Networks	Women may have access to fewer business and social networks (World Bank, 2010) and tend to draw more on personal relationships (particularly family) than people in their work and market environments in comparison with men (Kelly et al., 2011). They are less likely to personally know someone else who started a business in the past 2 years (Allen et al., 2008).
Formal credit	Women often have similar access to formal credit, but are less likely to use it (World Bank, 2010). Access to credit is sometimes limited by the fact that women have fewer assets to use as collateral (World Bank, 2010). Women are less likely to use formal credit, but not if other variables (education, head of household, etc.) are controlled for (Aterido et al., 2011). Women are slightly more likely than men to discontinue their business because they can't get financing (Kelley et al., 2011).
Capital	De Mel et al. (2012) find that men given a cash grant had higher survival rates and profits 5 years later than those not given the grant, but no difference was observed in women.
Training & business development services	Women often have limited access to training and business development services. When available, training often follows traditional roles, discouraging women from entering more productive, high-growth sectors (World Bank, 2010).
Entrepreneurial ability	Traits associated with entrepreneurial success include need for achievement, self-efficacy, innovativeness, stress tolerance, need for autonomy, and proactive personality (Rauch & Frese, 2007). Women may have lower entrepreneurial ability (measured by a series of questions about ability and self-confidence needed to run a business) than men (World Bank, 2009), or may perceive their own entrepreneurial skills less favorably than men do (Langowitz & Minniti, 2007).
Expectations	Women tend to perceive fewer opportunities and have lower growth expectations than men (Kelley et al., 2011).
Firm age	Women's businesses tend to be younger than men's (Allen et al., 2008), but this may not explain differences in performance (Bardasi, 2009).
Business sector	Some studies find that women tend to concentrate in lower-performing sectors (Bruhn, 2009; Terjesen & Amorós, 2010), but others do not (Bardasi, 2009, citing data from Latin America).
Other responsibilities	Women tend to have more domestic and family responsibilities, which distract from the business (World Bank, 2010; Bruhn, 2009; World Bank, 2009).
Regulation	Regulatory burdens may affect women more because they feel less equipped to maneuver complex procedures and more vulnerable to corrupt officials (World Bank, 2010), but Bruhn (2009) finds no difference in performance due to regulatory burdens.
Formalization	Perhaps in part due to disparate impact of regulatory burdens, women's businesses are more likely than men's to be informal (Bruhn, 2009; Powers & Magnoni, 2010), and informal businesses tend to be smaller and slower-growing than formal counterparts (Nichter & Goldmark, 2009).
Risk aversion	Women may tend to be more risk averse, which can constrain investment and dissuade them from potentially profitable decisions (Allen et al., 2008; Jianakoplos & Bernasek, 1998). But other studies are inconclusive (e.g. Powers & Magnoni, 2010), and in some cases women entrepreneurs may be more likely to take risks (Bruhn, 2009)[42], or more likely to innovate in products and processes (Aterido et al., 2011).

43 Citing unpublished results of a survey conducted by Innovations for Poverty Action in Puebla, Mexico, 2007.

3. *ENTREPRENEURIAL ACTIVITY IN BUCARAMANGA, 2010-2011*

	BUCARAMANGA	COLOMBIA
Total Entrepreneurship Activity (TEA)	4.6 %	>
TEA Male	17.4	23.02
TEA Female	17.4	18.37
Established entrepreneurs-male	25.6 %	16.6 %
Established entrepreneurs-female	16.4 %	8.2 %
Informal investors	3.1 %	5.19 %
Ratio of men to women involved in start-up businesses	1	1.25
Average age range of well-established business owners (empresarios)	35-44	45-54
Nascent businesses	4.4 %	8.6 %
New businesses	13.7 %	12.7%
% of residents who have invested in a business in the last year	3.7 %	5.1 %
Percentage of businesses who use technology made available in Colombia in the last 1-5 years	9.3%	20.65%

SOURCE: GLOBAL ENTREPRENEURSHIP MONITOR, COLOMBIA: BUCARAMANGA, 2010-2011

4. *ASSET AND REVENUE RANGES FOR BUSINESSES REGISTERED WITH THE CHAMBER OF COMMERCE*

FIGURE **05.** Asset Ranges 2010

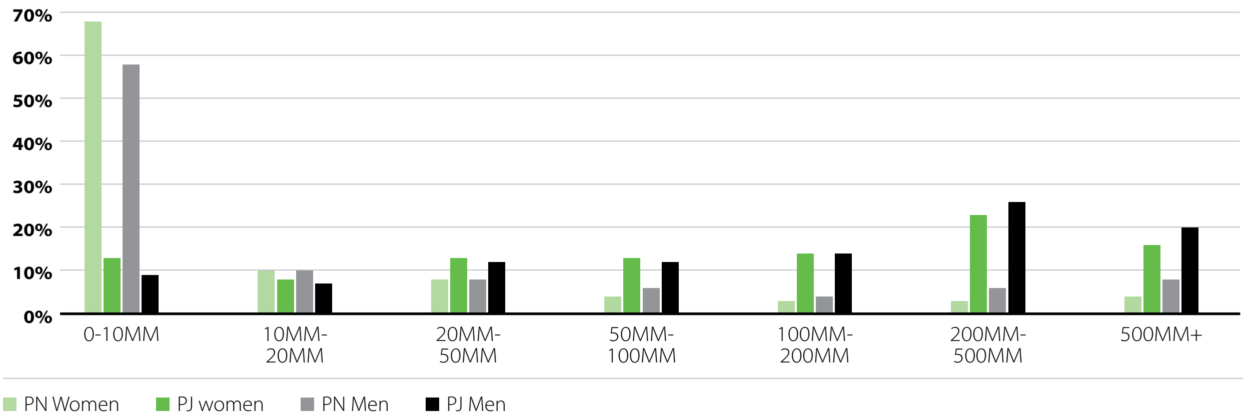
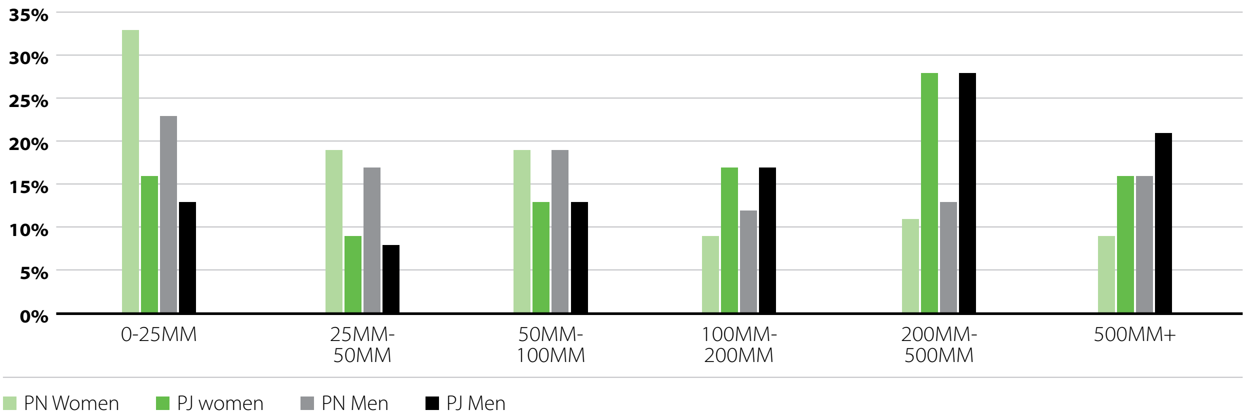


FIGURE **06.** Sales Ranges 2010



5. ASSET AND REVENUE GROWTH RANGES FOR BUSINESSES REGISTERED WITH THE CHAMBER OF COMMERCE IN BUCARAMANGA

FIGURE **07.** Growth in Assets 2010

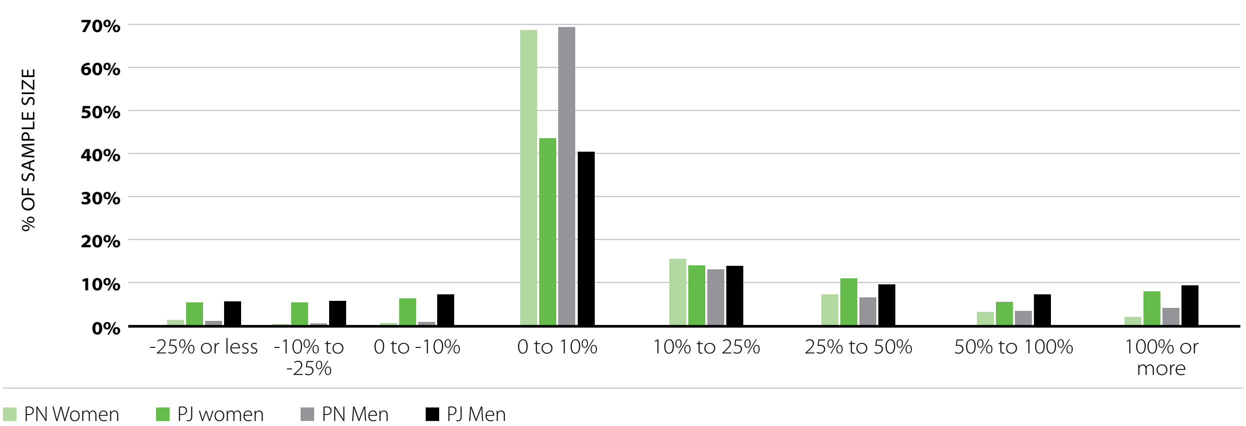


FIGURE 08. Growth in Sales 2010

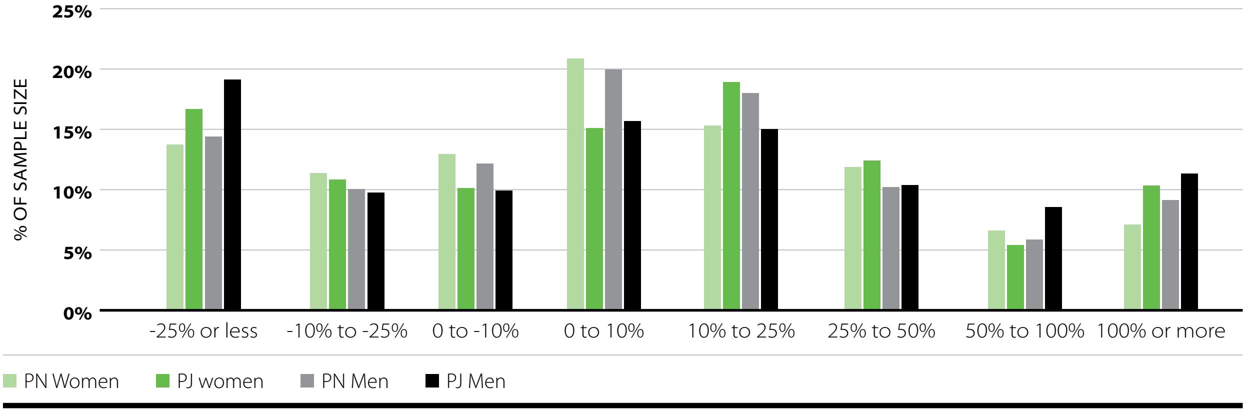


FIGURE 09. 5 year Asset Growth

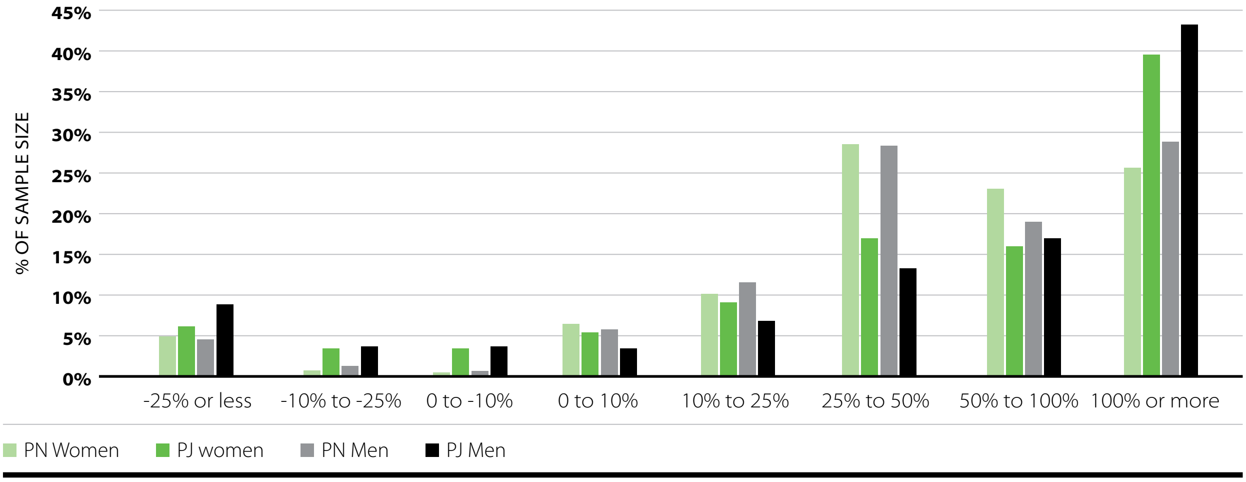
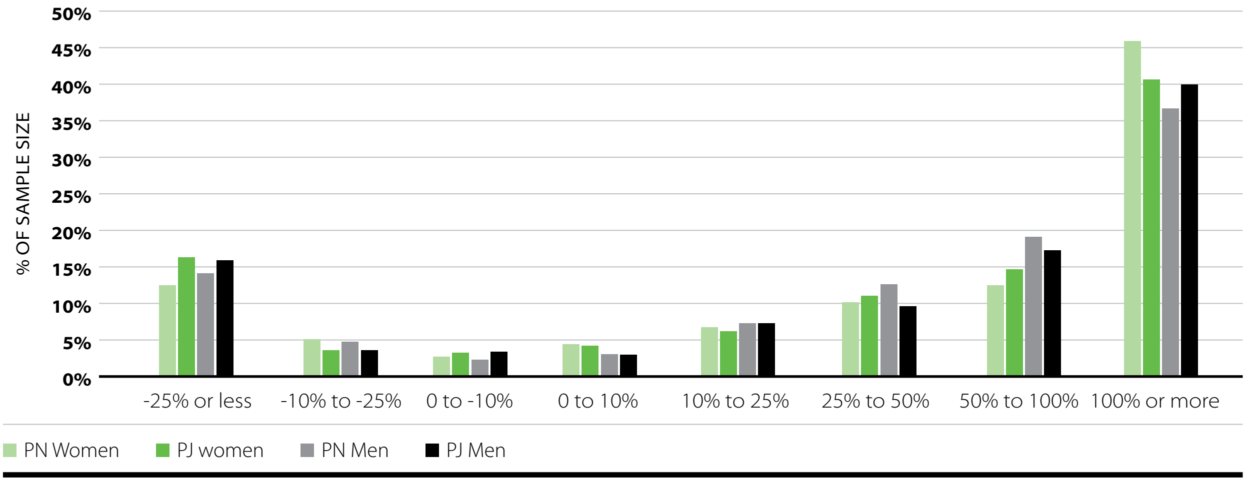


FIGURE 10. 5 year Sales Growth



6. *ASSET GROWTH OF SAMPLE OF BUSINESSES REGISTERED WITH THE CHAMBER OF COMMERCE IN BUCARAMANGA*

Asset Growth 2009-2010 (1 year)

	ALL	MICRO	SAMPLE SIZE	GROWTH RANGE BETWEEN 0%-300%	SAMPLE SIZE
Formal	-	35.03%	975	26.15%	951
Formal, Men	40.64%	35.35%	657	26.04%	640
Formal, Women	34.30%	34.36%	318	26.36%	311
Informal	-	13.36%	2980	11.56%	2965
Informal, Men	17.31%	14.54%	1667	12.36%	1657
Informal, Women	12.56%	11.87%	1313	10.55%	1308

Asset Growth 2005-2010 (5 years)

	ALL	MICRO	SAMPLE SIZE	GROWTH RANGE BETWEEN 0%-300%	SAMPLE SIZE
Formal	-	232.16%	496	79.41%	398
Formal, Men	253.10%	228.33%	343	83.08%	274
Formal, Women	233.00%	240.75%	153	71.32%	124
Informal	-	127.91%	1757	62.43%	1580
Informal, Men	154.88%	133.96%	1011	62.64%	901
Informal, Women	130.86%	119.72%	746	62.15%	679

7. *COMPARISON OF MEN'S AND WOMEN'S BUSINESSES IN CARTAGENA BY FORMALITY*

	NUMBER OF BUSINESSES	AVERAGE NUMBER OF EMPLOYEES	AVERAGE AGE	% PROFITABLE BUSINESSES (TOTAL)	% PROFITABLE BUSINESS (OF THOSE REPORTING PROFITS)
Informal	16,552	1.6	5.3	12%	84.5%
Formal	6,926	7.4	6.8	32%	84.4%

	AVERAGE ASSETS	MEDIAN ASSETS	AVERAGE INCOME	MEDIAN INCOME*
Informal	770	55	564	70
Formal	2,709	107	2,435	126

8. COMPARISON OF MEN'S AND WOMEN'S BUSINESS ES IN CARTAGENA BY FORMALITY AND GENDER

	AVERAGE ASSETS	MEDIAN ASSETS	AVERAGE INCOME	MEDIAN INCOME	DEBT EQUITY	DEBT ASSETS
Informal Women	40,014	1,269	52,985	11,648	0.38	0.15
Informal Men	77,676	2,324	116,774	18,811	0.38	0.16
Diff women/Men	-48%	-45%	-55%	-38%	2%	-8%
Formal Women	1,425,260	101,839	1,043,215	128,770	3.72	0.50
Formal Men	5,011,168	197,920	4,505,327	232,663	5.05	0.91
Diff Women/Men	-72%	-49%	-77%	-45%	-26%	-46%

9. CIVIL STATUS OF BUSINESS OWNERS FROM PHONE INTERVIEWS (FREQUENCY)

	SINGLE	MARRIED	DIVORCED	WIDOWED	SEPARATED	DOMESTIC PARTNERSHIP
Women	16	32	5	4	2	2
Men	3	50	1	1	1	3
Grand Total	19	82	6	5	3	5

10. EXPERIENCE PRIOR TO STARTING BUSINESS, BREAKDOWN FROM PHONE INTERVIEWS

WHAT WERE YOU DOING PRIOR TO STARTING YOUR BUSINESS?	WOMEN	% OF WOMEN	MEN	% OF MEN
Formal job	22	36.07%	31	52.54%
Informal job	10	16.39%	14	23.73%
Working in a similar business	15	24.59%	11	18.64%
Unemployed	0	0.00%	1	1.69%
Homemaker	5	8.20%	0	0.00%
Student	9	14.75%	2	3.39%

11. *SOURCES OF FUNDS TO START BUSINESS FROM PHONE INTERVIEWS*

	% OF WOMEN	% OF MEN	% OF TOTAL
Savings	28%	38%	48%
Bank Loan	33%	24%	28%
Loan from Family	34%	17%	26%
Sold Property	8%	15%	12%
Loan from Moneylender	12%	10%	11%
Loan from Friend	3%	2%	3%
Gift/Help from Family	2%	0%	1%

12. *STATISTICAL SIGNIFICANCE TESTS FOR BUSINESSES REGISTERED WITH THE CHAMBER OF COMMERCE OF BUCARAMANGA*

	MEN FORMAL N=1823	WOMEN FORMAL N=806	P-VALUE
Age	11.46	10.78	10.19%
Assets 2010 (USD)	275,180	242,777	1.80%
Sales 2010 (USD)	475,057	453,084	60.96%
Asset Growth 2010	29.01%	24.79%	18.58%
Asset Growth 2 year	71.01%	61.66%	18.32%
Asset Growth 5 year	206.60%	199.07%	73.17%
Revenue Growth 2010	27.24%	23.81%	46.23%
Revenue Growth 2 year	54.49%	44.33%	19.64%
Revenue Growth 5 year	176.50%	150.38%	22.10%
Debt to Equity	1.63	1.72	62.82%
Debt to Assets	0.39	0.38	31.01%

	MEN INFORMAL N=2175	WOMEN INFORMAL N=1647	P-VALUE
Age	10.57	8.24	0.00%
Assets 2010 (USD)	69,744	33,552	0.00%
Sales 2010 (USD)	198,929	115,973	0.00%
Asset Growth 2010	15.86%	11.14%	0.10%
Asset Growth 2 year	39.68%	29.64%	0.30%
Asset Growth 5 year	141.78%	119.69%	5.25%
Revenue Growth 2010	22.13%	18.28%	39.28%
Revenue Growth 2 year	36.49%	44.06%	30.61%
Revenue Growth 5 year	169.07%	201.52%	19.92%
Debt to Equity	0.49	0.53	57.65%
Debt to Assets	0.16	0.15	40.54%

	MEN FORMAL N=1823	MEN INFORMAL N=2175	P-VALUE
Age	10.78	10.57	0.28%
Assets 2010 (USD)	242,777	69,744	0.00%
Sales 2010 (USD)	453,084	198,929	0.00%
Asset Growth 2010	24.79%	15.86%	0.00%
Asset Growth 2 year	61.66%	39.68%	0.00%
Asset Growth 5 year	199.07%	141.78%	0.00%
Revenue Growth 2010	23.81%	22.13%	20.00%
Revenue Growth 2 year	44.33%	36.49%	0.45%
Revenue Growth 5 year	150.38%	169.07%	68.52%
Debt to Equity	1.72	0.49	0.00%
Debt to Assets	0.38	0.16	0.00%

	WOMEN FORMAL N=806	WOMEN INFORMAL N=1647	P-VALUE
Age	10.57	8.24	0.00%
Assets 2010 (USD)	69,744	33,552	0.00%
Sales 2010 (USD)	198,929	115,973	0.00%
Asset Growth 2010	15.86%	11.14%	0.00%
Asset Growth 2 year	39.68%	29.64%	0.00%
Asset Growth 5 year	141.78%	119.69%	0.01%
Revenue Growth 2010	22.13%	18.28%	27.94%
Revenue Growth 2 year	36.49%	44.06%	97.51%
Revenue Growth 5 year	169.07%	201.52%	6.34%
Debt to Equity	0.49	0.53	0.00%
Debt to Assets	0.16	0.15	0.00%

13. STATISTICAL SIGNIFICANCE TESTS FOR BUSINESSES REGISTERED WITH THE CHAMBER OF COMMERCE OF CARTAGENA

	WOMEN FORMAL N=783	MEN FORMAL N=1700	P-VALUE
Age	10.43	10.64	60.3%
# of Employees	13.00	18.38	2.9%
Assets 2011 (USD)	1,425,260	5,011,168	2.1%
Sales 2011 (USD)	1,043,215	4,505,327	3.5%
Debt to Equity	3.72	5.05	21.9%
Debt to Assets	0.50	0.91	34.0%

	WOMEN INFORMAL N=1055	MEN INFORMAL N=1272	P-VALUE
Age	8.16	8.79	3.5%
# of Employees	1.68	4.18	15.5%
Assets 2011 (USD)	40,014	77,763	6.9%
Sales 2011 (USD)	52,985	116,802	0.0%
Debt to Equity	0.38	0.37	80.6%
Debt to Assets	0.15	0.16	12.8%

	WOMEN FORMAL N=783	WOMEN INFORMAL N=1055	P-VALUE
Age	10.43	8.16	0.00%
# of Employees	13.00	1.68	0.00%
Assets 2011 (USD)	1,425,260	40,014	1.05%
Sales 2011 (USD)	1,043,215	52,985	0.03%
Debt to Equity	3.72	0.38	0.00%
Debt to Assets	0.50	0.15	0.00%

	MEN FORMAL N=1700	MEN INFORMAL N=1272	P-VALUE
Age	10.64	8.79	0.00%
# of Employees	18.38	4.18	0.00%
Assets 2011 (USD)	5,011,168	77,763	0.07%
Sales 2011 (USD)	4,505,327	116,802	0.67%
Debt to Equity	5.05	0.37	0.00%
Debt to Assets	0.91	0.16	8.51%

14. STATISTICAL SIGNIFICANCE TESTS FOR PHONE INTERVIEWS WITH BUCARAMANGAN BUSINESSES

	WOMEN N=60	MEN N=59	P-VALUE
Age of business owner	47.8	50.1	29.99%
Age of business	16.3	17.9	46.92%
# of Children	2.1	2.6	2.41%
Married (% yes)	52%	85%	0.01%
Sales 2011 (USD)	55,648	58,948	93.29%
Profit 2011 (USD)	11,766	12,741	90.91%
Family Business (% yes)	45.00%	51.67%	63.77%
Worked in formal sector (% yes)	36.67%	51.67%	0.16%
Took a loan to start a business (% yes)	75.0%	50.0%	0.94%
Started a business out of necessity (%)	34%	29%	51.25%
Take a salary (% yes)	66%	58%	37.53%
Salary level 2011 (USD)	1,299	1,541	16.11%
# of Employees	12.2	14.8	41.56%
Use Temporary employees (% yes)	29.51%	18.64%	16.63%
# of temporary employees	7.8	6.1	60.39%
% of women employees	62.99%	42.97%	0.01%
Sales / FT employees	4,520	2,716	2.18%
Sales / FT + PT employees	4,098	2,385	5.63%
Profit / FT employees	1,011	508	22.90%
Profit / FT + PT employees	906	445	38.04%

	INFORMAL N=60	FORMAL N=60	P-VALUE
Age of business owner	47.3	50.6	14.52%
Age of business	16.2	18.0	48.00%
# of Children	2.4	2.3	44.43%
Married (% yes)	70%	67%	69.76%
Sales 2011 (USD)	31,575	80,154	19.78%
Profit 2011 (USD)	7,273	16,511	25.79%
Family Business (% yes)	37.29%	60.00%	0.00%
Worked in formal sector (% yes)	33.90%	55.00%	0.71%
Took a loan to start a business (% yes)	71.19%	55.00%	9.11%
Started a business out of necessity (%)	40%	23%	5.03%
Take a salary (% yes)	53%	70%	6.13%
Salary level 2011 (USD)	1,271	1,516	14.26%
Cost of starting a business (USD)	5,851	15,644	15.02%

	SUCCESSFUL N=56	UNSUCCESSFUL N=64	P-VALUE
Age of business owner	44.6	52.7	0.02%
Age of business	14.3	19.5	1.72%
# of Children	2.0	2.6	0.09%
Married (% yes)	73%	64%	28.37%
Sales 2011 (USD)	73,240	41,960	42.90%
Profit 2011 (USD)	15,952	8,775	40.69%
Family Business (% yes)	41.07%	54.69%	62.24%
Worked in formal sector (% yes)	55.36%	34.38%	1.92%
Took a loan to start a business (% yes)	60.71%	64.06%	70.87%
Started a business out of necessity (%)	20%	42%	0.70%
Take a salary (% yes)	64%	59%	58.41%
Salary level 2011 (USD)	1,421	1,400	90.07%
Cost of starting a business (USD)	8,145	13,160	44.09%

	FORMAL, WOMEN N=30	FORMAL, MEN N=30	P-VALUE
Sales 2011 (USD)	87,108	73,832	84.82%
Profit 2011 (USD)	17,962	15,060	84.21%
Take a salary (% yes)	70%	70%	100.00%
Salary level 2011 (USD)	1,438	1,593	50.45%
Cost of starting a business (USD)	5,762	25,893	14.11%
Started a business out of necessity (%)	30%	17%	22.93%
Married (% yes)	50%	83%	0.57%

	INFORMAL, WOMEN N=31	INFORMAL, MEN N=29	P-VALUE
Sales 2011 (USD)	18,635	42,575	40.51%
Profit 2011 (USD)	4,021	10,163	40.37%
Take a salary (% yes)	61%	45%	20.84%
Salary level 2011 (USD)	1,145	1,456	24.70%
Cost of starting a business (USD)	5,471	6,245	76.28%
Started a business out of necessity (%)	39%	41%	83.64%
Married (% yes)	55%	86%	0.70%

	INFORMAL, WOMEN N=31	FORMAL, WOMEN N=30	P-VALUE
Sales 2011 (USD)	18,635	87,108	17.84%
Profit 2011 (USD)	4,021	17,962	16.92%
Take a salary (% yes)	61%	70%	48.20%
Salary level 2011 (USD)	1,145	1,438	12.30%
Cost of starting a business (USD)	5,471	5,762	88.72%
Started a business out of necessity (%)	39%	30%	48.20%
Married (% yes)	55%	50%	71.09%

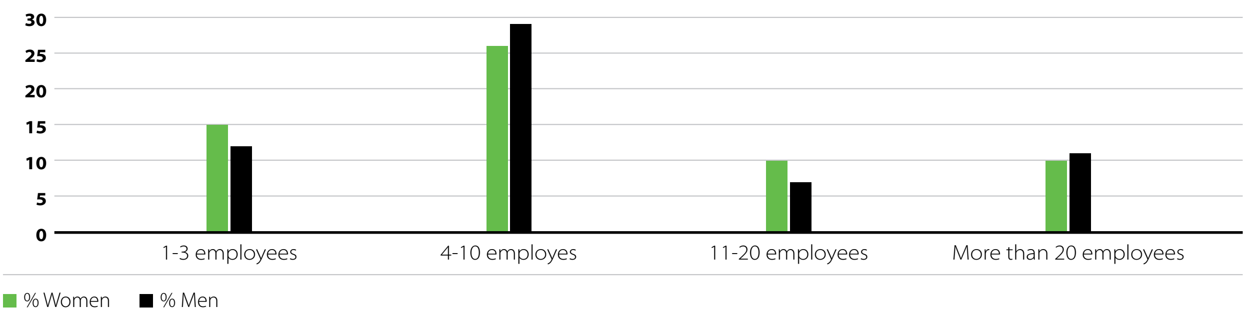
	INFORMAL, MEN N=29	FORMAL, MEN N=30	P-VALUE
Sales 2011 (USD)	42,575	73,832	58.04%
Profit 2011 (USD)	10,163	15,060	70.62%
Take a salary (% yes)	45%	70%	5.20%
Salary level 2011 (USD)	1,456	1,593	64.23%
Cost of starting a business (USD)	6,245	25,893	15.28%
Started a business out of necessity (%)	41%	17%	3.79%
Married (% yes)	86%	83%	76.35%

ARE THE DIFFERENCES OBSERVED IN THE PERSONAL CHARACTERISTICS OF SUCCESS STATISTICALLY SIGNIFICANT?		
Men v. Women	No	14.5%
Successful v. not Successful	No	41.8%
Men: Successful v. Not Successful	No	60.7%
Women: Successful v. Not Successful	No	41.8%

ARE THE DIFFERENCES OBSERVED IN THE CHARACTERISTICS OF A SUCCESSFUL BUSINESS STATISTICALLY SIGNIFICANT?		
Men v. Women	No	60.9%
Successful v. not Successful	Yes	6.9%
Men: Successful v. Not Successful	No	58.3%
Women: Successful v. Not Successful	Yes	7.5%

15. RANGES OF EMPLOYEES BY BUSINESS OWNER'S GENDER (BUCARAMANGA)

FIGURE **11.** Ranges of Employees by Business Owner's Gender



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Member of the **IDB Group**

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