

A woman with long, straight brown hair is looking down at a fan of color swatches she is holding in her hands. She is wearing a light-colored, possibly white, top. The background is a bright, out-of-focus office space with a green plant and some papers on a wall. A yellow banner is overlaid on the left side of the image.

Exponential
impact: a study
on societal value
of women-led
businesses

The EY logo consists of the letters 'EY' in a bold, white, sans-serif font. Above the 'Y' is a yellow chevron shape pointing to the right.

EY

Building a better
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Women entrepreneurs are changing the world

Women-owned businesses that secure funding show better returns on investment (ROI) and tend to be in business longer than those owned or founded by men. What's more: they purposefully develop goods and offer services that seek to make life better for everyday people.¹ But year after year, and decade after decade, the world is losing out on the full lift of that potential. Why?

Women entrepreneurs continue to struggle to raise capital compared to their male counterparts.² That's in spite of the fact that women started more businesses than men during the pandemic, with women of color representing the greatest proportion of those founders.³ This must change.

Ernst & Young LLP (EY US), the Center for Women and Enterprise (CWE), Women Business Enterprise National Council (WBENC), and Women Impacting Public Policy (WIPP) – discussed the need to transform the narrative of the full value associated with women-owned and founded businesses. Amplifying financial results by capturing and communicating the nonfinancial value that women business enterprises (WBEs) and women-owned small businesses (WOSBs) create – namely through sustainability activities – can go a long way toward overcoming the funding hurdles these organizations continue to face. How so?

The market around us is changing. Over the last several years, sustainability metrics have become increasingly important to business stakeholders – including investors, suppliers, customers and others all looking for a more holistic view of enterprise value. Approximately 70% of venture capital (VC) groups, and 60% of business angel investors incorporate sustainability criteria into investment decision processes. As with large corporations, funders are seeking to expand their focus to include more responsible business practices in their portfolios and value chains.⁴ VC investors are more likely to focus on financial relevance of sustainability criteria compared to angel investors who seem to be more motivated by the will to have a positive impact on society.

Both VCs and angel investors use sustainability information predominantly as a portfolio screening tool – with VC using it to exclude candidates during due diligence

(primarily mitigation of sustainability-related risks) where angel investors target firms that perform well in selected sustainability criteria (opportunity for value creation). In terms of sustainability, angel investors consider impact investing (i.e., seeking to generate a positive social and/or environmental impact alongside a financial return) as the second most important among all sustainability investment strategies.⁵

Interestingly, women founders are more likely to receive funding when their narratives included social impact components.⁶ In fact, sustainability importance is growing for small- and medium-sized enterprises, too. In a 2022 survey of these businesses, 87% of respondents expressed a similar or increased level of sustainability focus for the year ahead; some 83% said that a businesses' reputation and brand strength are impacted by sustainability factors.⁷ That's huge. These findings have prompted us to ask how measuring sustainability value associated with women-owned and founded businesses could potentially unleash additional growth and progress. Could a set of metrics begin to demonstrate the impact of female-driven entrepreneurial growth on income, employment and other factors?

The short answer is: yes. Through our survey and working groups, we surfaced seven key learnings about WBEs and WOSBs that paint a clear picture of this group's ability to not only drive transformational change, but to do so in a way that fundamentally helps build a world that works better. These findings are meaningful. They illustrate a compelling business case for embracing sustainability as a means of fueling future progress for female founders and entrepreneurs.

We cannot afford to lose out on the possibilities that female-driven entrepreneurship creates. These business visionaries generate purposeful solutions our communities and society so desperately need to create a more sustainable future. Women entrepreneurs are already changing the world. Formalizing and communicating existing and future sustainability efforts can empower these businesses with greater access to capital markets and funding to make even more progress – now.

Defining sustainability terms

Sustainability is defined very differently depending on the source, how it's being used and the focus of the organization. There are specific metrics recognized for many of the environmental elements, and governance pieces are often seen as commitments to these efforts. Third-party validation, attestation such as Better Business Bureau rankings, and membership in local organizations are also indicators of commitment to environment and governance. However, the societal part is often where the greatest value is created, yet least likely to be measured or communicated.

We used the following components to align sustainability definitions to our survey questions. We chose not to frame questions using sustainability language but instead asked questions that were more general in nature. The highlighted topics below were integrated in our questions. Given the wide range of sectors and types of businesses, these were deemed to be foundational in nature.

| Environment | Societal | Governance |
|---|--|------------------------------------|
| Greenhouse gas emissions | Community relations | Business ethics |
| Carbon intensity | Customer satisfaction | Compliance |
| Climate change strategy | Supply chain management | Board diversity |
| Carbon footprint | Human rights | Lobbying activities |
| Energy management | Diversity, equity and inclusiveness | Political contributions |
| Resource depletion and replenishment | Health and safety | Transparency in business practices |
| Air quality | Labor standards | Shareholder relations |
| Biodiversity | Product quality and safety | Accounting and tax practices |
| Waste management | Data security and privacy | |
| | Financial security | |
| | Employee engagement | |



Seven critical learnings on women-led entrepreneurship

1

While access to capital for women in fundraising is still lacking, sustainability activities can help.

Funding and raising capital continue to be a major issue for many WBEs. Many banks and other lending organizations continue to limit credit lines and operating loans due to what could be seen as a narrow set of performance metrics. For many who are trying to meet operational costs or are in early stages of the business, there seems to be no recourse

other than a personal credit line (61% use a personal credit card to fund the business). Nearly 90% of women entrepreneurs do not have a business credit card, and only 19% of those had small business loans.⁸ That said, women founders are more likely to receive funding when their narratives included social impact components.⁹

What's the key takeaway? Women-owned businesses can consider highlighting their social impact and sustainability activities within their business narratives to improve their opportunities of receiving funding from lending institutions.

2

Integrating profits and purpose matters to women.

Among the entrepreneurs and founders we interviewed, all showed a distinct focus on connecting profits and purpose. Most indicated that their lived experience directly influenced the decisions they've made regarding their business. This is not a new finding. Other research indicates women start businesses to address gaps they see in daily lives, layering in nuance and depth as to how the business operates. Still, too often the idea that women focus businesses on gaps is relegated to assumptions about the type of products and services they deliver (i.e., personal care services, health and welfare services, educational assistance). But that's not necessarily the case. Through interviews and survey results, we found that women-owned businesses often address gaps

not through specific products, but rather, specific hiring. For example, one entrepreneur surveyed said her Texas-based sales consultancy company specifically hires mothers with children who have experience in sales support and empowers them with flexibility and autonomy to get projects completed. Another entrepreneur in Maryland said her roofing company focuses on hiring women and people of color to build long-term workforce stability. In Wisconsin, the entrepreneur behind a public relations and media company explained the internship program she's started with Historically Black Colleges and Universities and local high schools. The goal? Ensure diverse hiring.

What's the key takeaway? Women-owned businesses build their purpose into their businesses from day one. They deliberately create change through intentional product design, HR strategies and community outreach, all designed to shape the future they desire.

3

Business leaders define sustainability differently.

In many ways, sustainability definitions are still taking shape in the market itself. But through our research, we saw a significant disconnect between the way women business owners and founders understand sustainability, and what is actually included in the industry-facing definitions we used as part of our framework. Nearly all survey respondents shared actions and efforts they're undertaking to support

communities – which is a critical aspect of sustainability itself. And yet, just over two-thirds (68%) of survey respondents explicitly said they had some formal plan to impact their environment or community. It seems many of the entrepreneurs we spoke to may not have a clear enough understanding to correlate their concerted efforts across this space back to sustainability itself.

What's the key takeaway? Women business owners can strengthen their brand, business reputation and business stature by amplifying their sustainability initiatives.

4

Women value and prioritize diversity.

Across our research, we saw a vested interest in fostering diversity. Some 89% of the entrepreneurs we surveyed have committed to hiring diverse individuals. Another 86% say they're purchasing from diverse suppliers; the majority are focused on buying from other women and

women-owned businesses. Women-owned businesses frequently source from diverse suppliers and are key to economically accelerating other businesses owned by people from historically marginalized backgrounds.

What's the key takeaway? Women-owned businesses can underscore their commitment to diversity by showcasing key partnerships, diverse suppliers who reflect the market, and an inclusive workforce.



5

Virtual services enable wider reach and fuel environmental benefits.

The women-owned businesses we polled don't necessarily work in close geographic proximity to suppliers and customers. By the numbers, only 13% of enterprises said at least half of their suppliers are within a 5-mile radius of the business. Just 12% cited 50% or more of their customers are that close. Still, the increased ability to deliver services virtually is enabling these businesses to widely share economic games while addressing environmental concerns.

What's more, they're focused on making a positive impact on the environment. The majority of our survey respondents have formal plans outlining community and environmental components of their operational impacts. It was more common to see the community and environment interconnected in a holistic plan; fewer businesses had stand-alone plans exclusively focused on environmental efforts.

What's the key takeaway? Despite the physical distance from suppliers and customers, many women-led businesses harness virtual delivery services to enhance economic benefits and mitigate environmental issues, with a majority adopting comprehensive plans for community and environmental involvement.

6

Giving back plays a starring role at women-owned businesses.

Making an impact can take all sorts of shapes and forms. Among women-owned businesses we surveyed, this outpaces/aligns to the US national average of small business charitable donations, pegged at about 6% of pretax revenue (although our survey also included volunteer hours). Those contributions go a long way to making a sustainability impact that the market is looking for – including top talent. In fact, the benefit of volunteering for enterprise is becoming more accepted, and is now a key element in millennials' choice of employer. This is good news for women-owned businesses, who overwhelmingly told us their primary means

of giving back is through volunteerism. This is consistent with the trends in the US that suggest women are more likely to volunteer than men.¹⁰ The value of an hour of a business owner's time is significantly higher. The average for our respondents is 12 hours a month (approximately \$400 value). It is important to note that many reported that mentoring other women and other entrepreneurs was important to them as well. This could be a major factor in attracting and retaining talent, all while making a positive sustainability impact.

What's the key takeaway? Women-owned businesses need to share broadly about how they give back to communities and society at large through their business and volunteering efforts.

7

Women entrepreneurs feel responsible for community-building.

While it was critical to understand what the businesses provide, we also examined the level of commitment by the owners themselves. Seventy-four percent of respondents stated they feel an **increased level of responsibility to their community because they own a business**. Those who indicated that felt an increased level of responsibly responsibility to their community demonstrate their value with actions. The individuals who indicated "yes" to this item were more likely to volunteer their time (+16%);

offer pro bono work (+8%); mentor other entrepreneurs (+16%); mentor other women (+16%); network with community leaders (24%); speak at local schools, community events about topics important to me (10%); serve on community boards (+10%); help raise money for organizations I care about (+10%); and participate in entrepreneurial communities or organizations (+20%).

What's the key takeaway? Women owned businesses can consider integrating themselves into the community leadership and local business groups (i.e., chamber of commerce, trade organization, networking groups).



Doubling down on sustainability principles to spark meaningful progress

Celebrating and amplifying the impact an organization has on its community is just one of many factors that business stakeholders are prioritizing today. While the idea of sustainability impact isn't necessarily new – the rigor with which the market now applies against sustainability impacts is certainly formalizing.

As regulatory standards around sustainability continue to solidify around the world, there is an opportunity for women-owned and founded businesses to embrace this priority as a critical differentiator. Our research paints a clear picture: whether women entrepreneurs realize it or not, much of what they're already doing is grounded in sustainability. The numbers and anecdotal evidence we've collected show that in many ways, women are organically founding purpose-led businesses built around the kinds of practices and principles that stakeholders now consider as part of decision making.

In the survey we asked what WBEs and WOSBs are doing to impact their community. Out of all the responses, we identified some key themes in their answers. We also asked

why these owners and founders felt these actions were important, essentially what were their reasons that they wanted to make an impact in their community?

It is critical to note the importance of the reasons behind decisions to invest or impact the community at large. All of our respondents indicated that they believe these strategies and actions are essential to the financial and operational health of their business:

- ▶ Strategically hiring diverse resources maintains a skilled workforce as the community's demographics change over time.
- ▶ Aligning with local organizations for recycling and reducing food waste emphasizes the services provided to restaurants and food distributors to change packaging.
- ▶ Creating programs for professional development that support nontraditional pathways for individuals to demonstrate aptitude and skills over time.



Put that in the broader context of how the market perceives small businesses, and the opportunity for women-owned enterprises only grows. In the US, four out of five individuals say that small businesses positively impact people's lives, but only two out of five feel the same about large corporations. Furthermore 89% of Americans believe businesses have power to make a positive impact on people's lives, but only 57% say companies are effective at making an impact. The four top actions Americans believe are important for companies to take are:

1. Use sustainable manufacturing.
2. Promote increased access to education and training.
3. Invest time and money into local communities.
4. Operate in a way that is sustainable for the environment.

This suggests there is a significant opportunity to communicate better and more effectively about the actions taken, the impact made and why this is critical to the success of the company and its community.¹¹ While adoption of sustainability reporting can be overwhelming, our research made it even more clear that women need to position their businesses to include the sustainability value they provide. The only question is: how?

- ▶ **Start deliberately highlighting sustainability impact in all its forms.** Whether talking about job creation, health and wellbeing, safety and trust, labor practices, or diversity and inclusion: articulating the value that women-owned businesses create is essential. This doesn't have to take on the tone or scope that a larger enterprise might be adopting. An annual snapshot or highlights summary can be an effective way to start regularly communicating sustainability impacts to the marketplace. Outline a starting point that is sustainable, and then build that reporting up over time.
- ▶ **Deepen community relationships to amplify sustainability outcomes.** Small- and medium-sized enterprises tend to be agile, enabling them to have unique opportunities to develop strong community engagement efforts. Jump on opportunities to work closely with communities, so management teams can interact regularly and move quickly as opportunities to make positive change arise. Entrepreneurs we interviewed are already actively doing this in a variety of interesting ways. For example, one company ensures annual wages exceed livable wage comparisons by 16%, and another creates unemployment opportunities for underserved communities. From planting trees to mitigate carbon emissions making commitments to hiring talent that identifies as Black, Indigenous or people of color and sourcing diverse suppliers: there are so many ways to expand on these efforts through intentional relationships with stakeholder groups.
- ▶ **Integrate sustainability efforts across the entire business.** Although our research shows women-owned and founded businesses are addressing sustainability, these efforts are not integrated across business functions.

By the numbers, the longer a business has been operating, and the higher the revenue and employees numbers, the more likely it is to have a formal plan for sustainability integration. Adopting a relatively consistent corporate responsibility plan is a good foundation that many of these businesses can use to expand their efforts, and bring more rigor to their reporting, for the organization as a whole. This is a positive in the eyes of stakeholders.

- ▶ **Establish a standard approach to sustainability measurement.** Before businesses can amplify sustainability efforts, leadership must first understand where they stand on that journey today. This requires metrics. Fewer requirements or standards for sustainability reporting exist in the US compared to other parts of the world. Industry standards are also evolving in real time. Overall, customers, employees and other business stakeholder (including potential investors) are expecting businesses to have a clear and cohesive sustainability story that shows understanding of carbon footprint and social impact, as well as goals that connect out to actions – and numbers to track progress. That reporting will look different from one industry and sector to the next. Still, a mix of qualitative and quantitative reporting can help amplify sustainability value through a narrative that offers stakeholders line of sight into current state and progress. For women-owned businesses in particular, given the findings of our research, many would benefit by a standard approach that identifies components of community impact and maps out regular reporting around these areas.

Where do women-owned and founded businesses go from here?

In many ways, women-owned and founded businesses are already making significant strides and positive sustainability impacts. As the market continues to underfund female entrepreneurs – and a business landscape where stakeholders are increasingly interested in sustainability outcomes – that represents a meaningful opportunity for these enterprises.

Formalizing existing sustainability efforts can catalyze additional positive outcomes for the customers, clients and

communities these women-led businesses serve. Doing so with an eye to reporting clearly and consistently can also help these businesses carve out a competitive advantage with decision-makers – including investors, employees, allies and more. That means ramping up your sustainability focus right now can help ensure sustainability of society and the business itself, ensuring even more people get access to the uniquely transformative products and solutions women entrepreneurs create every single day.

| EY US | WBENC | CWE | WIPP |
|---------------------------|---------------------|------------------|--------------------|
| Theresa Harrison | Pamela Prince-Eason | Gaby King Morse | Angela Dingle |
| Rosemary Mitchell-Weppler | Jill Sasso | Gwen Pokalo Hart | Lin Stuart |
| Maryalice DeCamp | Erin Watson | | Courtney Fairchild |
| Maranda Bruckner | | | Amy Emmatty |
| Kate Maher | | | Julie Rothhouse |
| Deborah Brannan, PhD | | | |
| Michelle Settecase | | | |



Appendix A

Where to start

The following table provides framing questions for WBEs and WOSBs to consider in developing a holistic approach to measuring and thinking about their impact on the community.

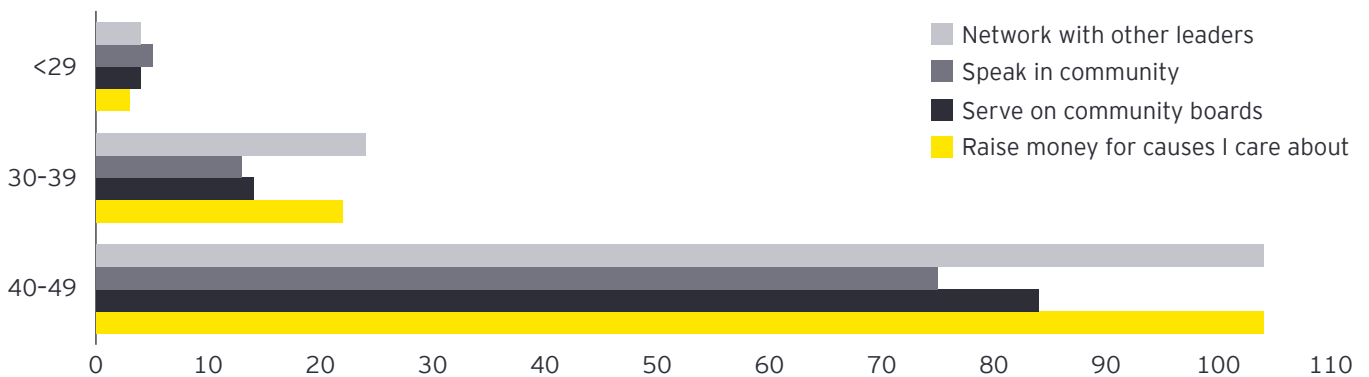
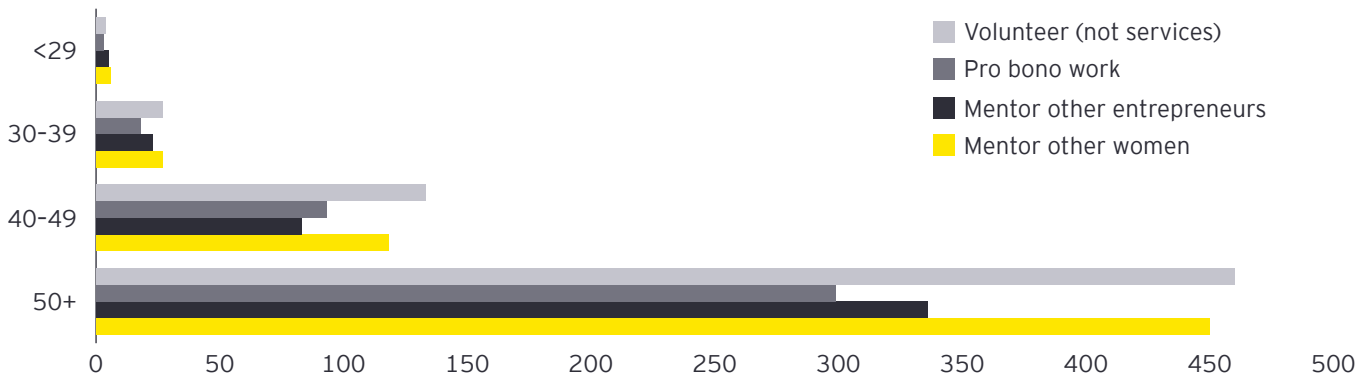
| Environment | Types of measures | Considerations |
|--|---|--|
| Greenhouse gas emissions Carbon intensity Climate change strategy Carbon footprint Energy management Resource depletion and replenishment Air quality Biodiversity Waste management | Levels of carbon dioxide, carbon monoxide, nitrous dioxide, methane Sulfur dioxide pollutants Electricity usage and management approaches Fresh water supplies Solid waste (plastics, metals, etc.) Hazardous waste Other types of excess or inefficiently used resources Types of natural resources used Policies to manage environmental impact | Do you have a recycling program for office waste? Do you make sustainable packaging choices? Do you choose low emission delivery or transportation services? Do you seek and/or occupy office locations or facilities that are energy efficient and use renewable energy sources? Where are your raw materials and products sourced? Are your customers willing to pay more for environmentally conscious products? |
| Social/societal | Types of measures | Considerations |
| Community relations Customer satisfaction Supply chain management Human rights Diversity, equity and inclusion Health and safety Labor standards Product quality and safety Data security and privacy Financial security Employee engagement | Average wages in relation to local levels Workforce diversity percentages compared to societal demographics Equal pay gaps, ratio of what men to women earn for the same work Employee engagement Turnover rates Amount invested in training Severance payments Safety incidents recorded Health/safety policies Human rights violations (modern slavery, civil rights, etc.) Funding for scientific research Raising funds for charitable organizations Community volunteering Investment in infrastructure Investments in new products and services | What is your employee turnover rate? How diverse is your workforce and management? What are the safety risks and working conditions of your employees and supply chain? How many safety concerns or incidents have you had? Do you measure or evaluate how your company is perceived by the community? What are your customer satisfaction ratings? Do your customers care about social issues? How are you protecting your information and that of your customers and employees? |

| Governance | Types of measures | Considerations |
|---|---|--|
| Business ethics Compliance Board diversity Lobbying activities Political contributions Transparency in business practices Shareholder relations Accounting and tax practices | Executive compensation in comparison to employee compensation Executive diversity in terms of demographic and experiential characteristics Policies against corruption Amount of tax paid Taxes paid in relation to revenue | What is your company's mission? Does your strategy consider environmental and social aspects? Are you communicating sustainability goals and impacts to investors? Do you use an external auditor to validate your financial statements? What mechanisms or processes do you have to engage with stakeholders? Does your company have a code of conduct that includes consequences for violation? |

Appendix B

Survey responses and data*

*Respondents could choose more than one response



Appendix C

Methodology

Background research into the different philanthropic approaches between men and women, different organization types between men- and women-owned businesses, lifecycle comparisons over the length of time a business has been operating, and other contextual elements were reviewed, examined, and considered as the survey instrument itself came together. Discussions with subject-matter experts and resources on sustainability, women entrepreneurs and business owners, data analytics experts, venture capitalists and debt financing professionals, and policymakers were held to identify gaps in existing data sets that would be critical to support our framing question: How do women entrepreneurs impact their community?

The team jointly conducted a survey of women-owned small businesses and women business enterprises in the United States. The survey was in the field from January 9, 2023 to March 30, 2023, and included general questions sets about the enterprises and businesses to gain understanding of sector, revenue, headcount, location and length of tenure or years in operation. The survey also included questions on what specific actions these enterprises take regarding sustainability, where these activities were focused, the underlying business strategies for such actions, and the value associated with these efforts. Over 1,600 responses were received, and ultimately approximately 1,100 responses were sufficiently completed to be analyzed. Attrition was due to incomplete answers to the survey.

According to the research, the median profile of our survey respondent organizations is:

- \$1.5 million in annual revenue or larger
- Five employees (including the owner/founder)
- Owned by individuals 50 years of age and up
- Been in business 10 years or more



Footnotes

- 1 <https://www.gemconsortium.org/reports/latest-global-report>, accessed March 2, 2023.
- 2 Ibid.
- 3 Ibid.
- 4 Botsari, and Lang, Frank, *ESG considerations in venture capital and business angel investment decisions: Evidence from two pan-European surveys*, EIF Working Paper, No. 2020/63, 2020.
- 5 Ibid.
- 6 Lee, Matthew and Huang, Laura, "Women Entrepreneurs Are More Likely to Get Funding If They Emphasize Their Social Mission," *Harvard Business Review*, March 7, 2018.
- 7 Mezzio, Steven; Kenner, Joseph; Veltmann, Alejandra; and Morejon, José Ignacio, "ESG Integration and Small Business," *The CPA Journal*, July/August 2022.
- 8 Ibid
- 9 Lee, Matthew and Huang, Laura, "Women Entrepreneurs Are More Likely to Get Funding If They Emphasize Their Social Mission," *Harvard Business Review*, March 7, 2018.
- 10 <https://www.census.gov/library/stories/2023/01/volunteering-and-civic-life-in-america.html>, accessed March 2, 2023.
- 11 *Bentley-Gallup Business in Society Report*, Gallup Inc., 2023.

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