

A photograph of two women in a professional setting, likely a meeting or office. The woman on the left is wearing a blue and white patterned top and is speaking. The woman on the right is wearing a light-colored top and is listening attentively, resting her chin on her hand. The background is a bright, out-of-focus office environment with large windows and modern lighting.

Is the X chromosome the X factor for business leadership?

Find out why companies led by
women are outpacing the market.



The better the question. The better the answer.
The better the world works.

The EY logo, consisting of the letters 'EY' in a bold, white, sans-serif font. A yellow diagonal line is positioned behind the 'Y'.

Building a better
working world

Content



01

**Customer focus an engine
for growth**



02

**Limited capital a significant
barrier**



03

**Diversity brings competitive
advantage**

Introduction

Women CEOs' growth ambitions significantly outpace those of male leaders, despite their ongoing challenges in accessing capital. Almost one in three (30%) female-led companies are targeting growth rates of more than 15% in the next 12 months, compared with just 5% of male-led firms, even though more than half the women-led companies (52%) say they have no access to external funding.

Survey Methodology

EY commissioned Euromoney Institutional Investor Thought Leadership to undertake an online survey of 2,766 C-suite (60% CEOs, founders or managing directors) in companies from 21 countries and with annual revenues of \$1m-\$3b. The survey was conducted from 15 January-1 March. EY further invited the network of EY Entrepreneur Of The Year™ alumni across the globe to take the survey. The survey was available in English and six other languages. Further in-depth interviews were carried out during March-April 2018 to provide additional specific insights.

Chapter 01

Customer focus an engine for growth

According to an independent study of 2,766 middle-market company leaders, female-run businesses are more focused on increasing market share to become leaders in their respective industries compared with male-led companies. This strategy is underpinned by a keen motivation to understand customers' needs and improve their overall experience. Twenty-five percent of women CEOs say improving the customer experience is the most important objective of their technology investment (in line with male leaders, at 26%). Meanwhile, more than twice as many female CEOs as male cite customer demand as the biggest driver for innovation (34% versus 16%). "When it comes to growth, customer experience is the first and most important because existing clients will always be the prime source for growth," says Julia Beardwood, Founding Partner of Beardwood & Co., a NY-based creative agency focused on brand building. "Knowing their priorities and how to bring them outstanding experiences is foundational."

Women leaders also appear to run their companies with a more collaborative approach than men; being more likely to seek alliances with external partners as a route to fueling innovation

(25% compared with 22%). Australian consumer products company SourceHub Group exemplifies this approach; it successfully turns the retail supply model on its head by co-creating products with consumers and retailers. SourceHub's founder and global CEO Vanessa Garrard says: "Rather than supplying the same product to as many retailers as possible, we partner with our customers to develop exclusive ranges based on their brand values and customer profiles. The process has seen many of our products hit the market as world-first for the particular product or category."

This outward-looking, customer-centric approach could well prove critical in the years ahead. Consumer trends such as personalization and "anytime, anywhere" access mean it is vital for companies to be open and responsive. Meanwhile, global incomes of women are set to reach \$18 trillion in 2018,¹ and by the year 2028, women are expected to control almost 75% of discretionary spending worldwide.² Arguably, diverse businesses with significant ecosystems will be better placed to understand and engage this fast-evolving customer base, while more insular, male-dominated boardrooms risk losing touch.

"When it comes to growth, customer experience is the first and most important because existing clients will always be the prime source for growth."

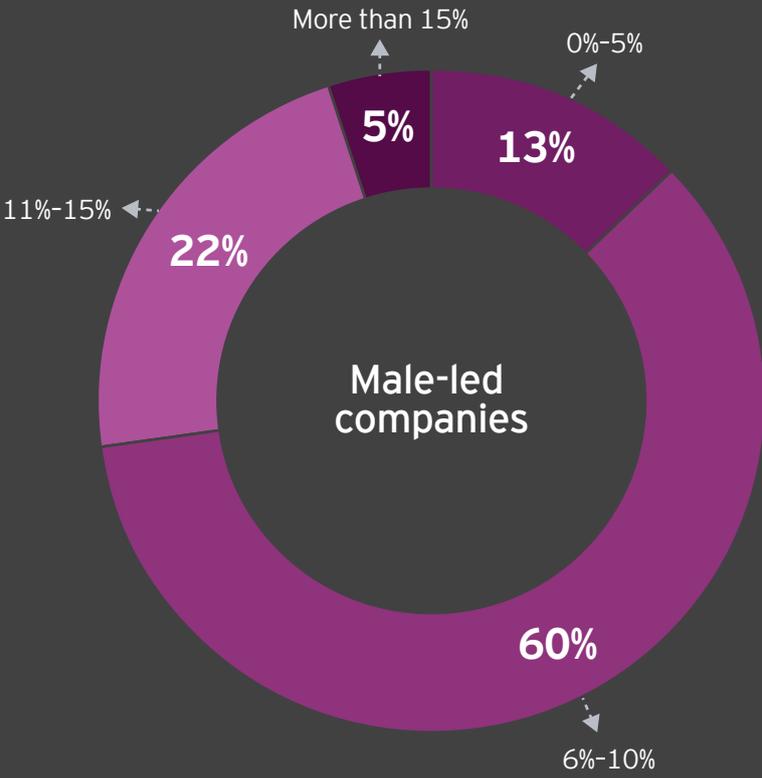
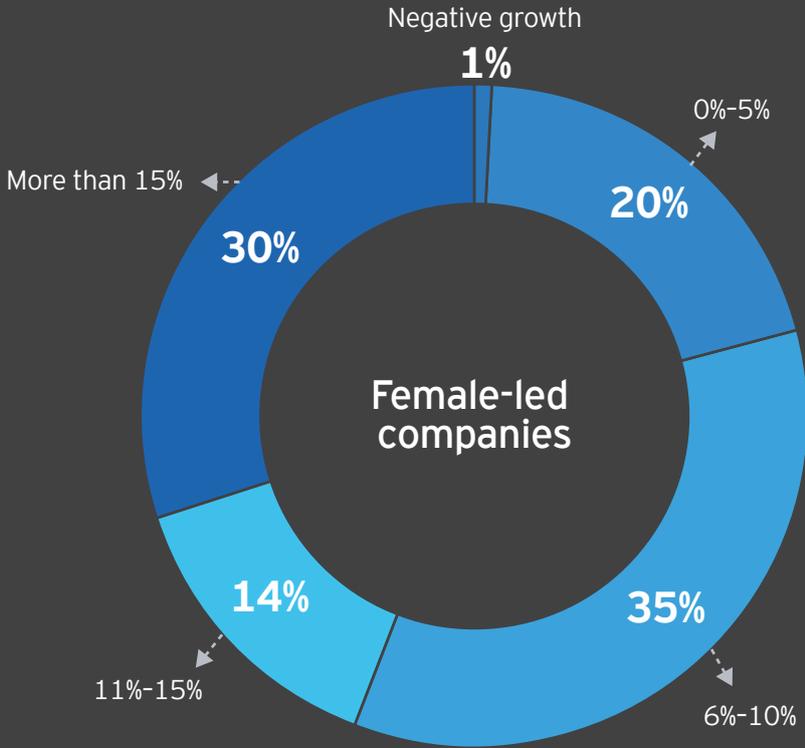
Julia Beardwood

Founding Partner, Beardwood & Co.

¹ "Women, The Next Emerging Market," EY, http://www.ey.com/Publication/vwLUAssets/Women_the_next_emerging_market/%24FILE/WomenTheNextEmergingMarket.pdf, accessed 27 March 2018.

² "Women, The Next Emerging Market," EY, http://www.ey.com/Publication/vwLUAssets/Women_the_next_emerging_market/%24FILE/WomenTheNextEmergingMarket.pdf, accessed 27 March 2018.

Growth rates expected in the coming year





Chapter 02

Limited capital a significant barrier

The ambition of women CEOs is even more striking given that they are still battling to unlock capital that is much more readily available to enterprises run by men. A persistent challenge in accessing funding at an early stage of the business lifecycle for a large proportion of female-led companies may be holding them back from exploring further financing opportunities.

The survey found that one in five women CEOs (20%) have no plans for raising capital, compared with just 3% of male CEOs. Strikingly, more than half of women-led companies (52%) have no external funding at all, compared with 30% of male-led companies. And 41% of female CEOs say they have not yet considered or planned an IPO, compared with 23% of male-run firms, although this may be partly explained by the fact that a greater proportion of female-led companies are less than five years old (26% of women-led businesses are start-ups compared with 11% of those led by men).

Why the funding gap matters

A report published in the journal *Venture Capital* in 2017 found that 97% of total venture capital funding went to companies with a male CEO, with possible reasons being the sourcing of deals through entrenched male-dominated industry networks, and the tougher screening process applied to female entrepreneurs.³ Meanwhile, a 2016 report by TechCrunch on venture capital investment found that between 2010 and 2015, only 10% of venture dollars globally went to start-ups with one or more female founders.⁴ Kiyomi Tsuchiya, MD of Japan-based Sound-F Co and STOCK POINT Inc, comments: "In a situation where there are two individuals with the exact same skillsets and one is a female and the other is a male, chances are the male would be chosen."

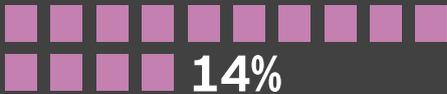
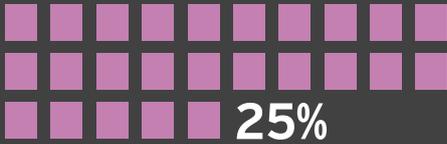
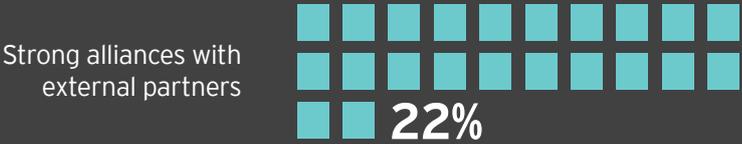
This funding gap matters because companies with high-growth potential that fail to secure early investment can have a harder time scaling up.⁵ Women CEOs are all too aware that limited funding opportunities are holding their companies back. Almost three times as many women as men say funding is the most significant factor in building their company's agility (17% versus 6%), while 17% believe the cost and availability of equity finance is the greatest barrier to growth, compared with 11% of male peers.

3 "Women entrepreneurs still lag behind men in accessing new business funding," *Babson College*, <http://www.babson.edu/news-events/babson-news/Pages/2017-gender-gap-venture-capital-research.aspx>, accessed 27 March 2018.

4 "The first comprehensive study on women in venture capital and their impact on female founders," *Techcrunch.com*, <https://techcrunch.com/2016/04/19/the-first-comprehensive-study-on-women-in-venture-capital/>, accessed 27 March 2018.

5 "Entrepreneurial Winning Women," *EY*, <http://www.ey.com/gl/en/services/strategic-growth-markets/ey-entrepreneurial-winning-women>, accessed 27 March 2018.

Factors increasing companies' agility



Female-led companies

Male-led companies

Chapter 03

Diversity brings competitive advantage

According to a recent study by the Peterson Institute for International Economics and EY, around one in three companies globally have no women at all in C-suite positions or on their board, while just over half of all global companies lack a single female C-suite.⁶ Companies led by women do far better than this. Leadership teams in businesses with a female CEO are comprised of 41% women, whereas the figure is just 22% in firms with a male boss. This achievement confers an important competitive advantage: female-led companies are free to concentrate on finding talent with specialist skills, a vital lever for growth, while male-led firms say their top recruitment priority is building a more diverse workforce. This clearly links with the fact that, by many measures, companies with diverse leadership teams outperform those that are more homogenous.

Their more diverse company culture and their strategic focus on the customer may also help to explain the finding that demographic shifts are less of a worry for female-run businesses: one-third (33%)

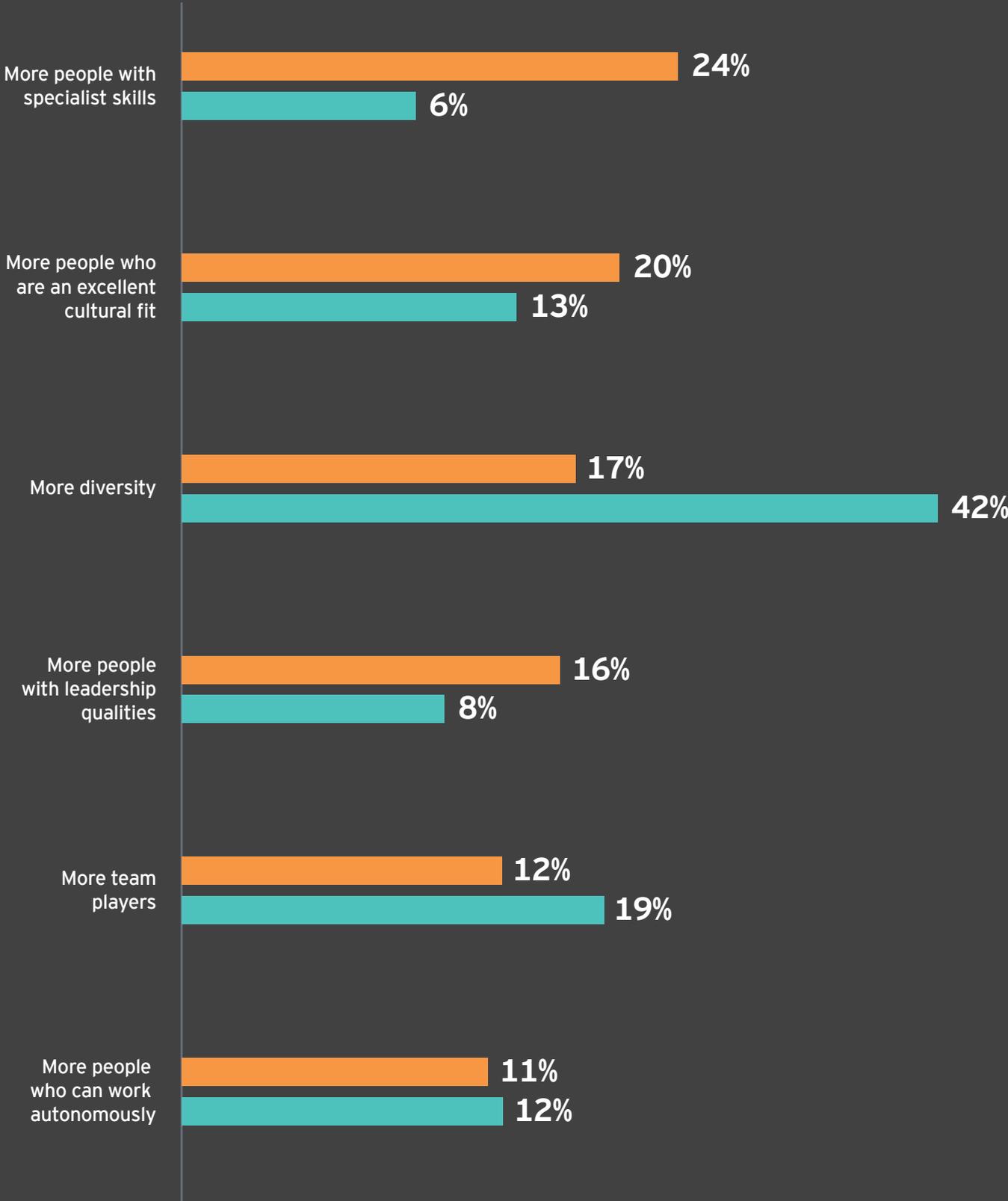
of male bosses mentioned it as the most disruptive megatrend, compared with fewer than one in five women leaders (18%). Female-led firms, meanwhile, see digitalization as the greatest megatrend affecting business - 36% cite it, versus just 14% of male-led companies.

In our survey, a significantly higher proportion of women-led companies were family businesses (32% versus 12%), suggesting that family firms provide a conducive environment for the development of female leaders. This is a finding backed up by the recent EY report *Women in leadership: The family business advantage*, which found that family businesses are advancing women further, and doing so faster, than their non-family counterparts.⁷

⁶ "Is gender diversity profitable?" *Peterson Institute for International Economics*, <https://piie.com/publications/wp/wp16-3.pdf>, accessed 27 March 2018.

⁷ "Women in leadership: the family business advantage," *EY*, <http://www.ey.com/gl/en/services/growth-markets/family-business/ey-women-in-leadership-the-family-business-advantage>, accessed 18 April 2018.

Recruitment priorities



Female-led companies

Male-led companies



Summary

More than half of women-led companies have no external funding, compared to under a third of male-led companies. The funding gap matters as companies with high growth potential fail to secure early investment have a harder time scaling up.

Contacts



Annette Kimmitt

EY Global Growth Markets Leader,
Annette.Kimmitt@au.ey.com

EY | Assurance | Tax | Transactions | Advisory

About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit ey.com.

© 2018 EYGM Limited.
All Rights Reserved.

EYG no. 03045-183GBL.

BMC Agency
GA 1007685

ED None.



In line with EY's commitment to minimize its impact on the environment, this document has been printed on paper with a high recycled content.

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax or other professional advice. Please refer to your advisors for specific advice.

The views of the third parties set out in this publication are not necessarily the views of the global EY organization or its member firms. Moreover, they should be seen in the context of the time they were made.