

Definition of “Women Owned Business” – Input from IRAP Clients

BACKGROUND

An [international initiative](#) was recently launched by International Trade Centre (ITC), the Swedish Institute of Standards (SIS), and the International Standardisation Organisation (ISO), to develop a commonly agreed upon definition of a “woman-owned business”. Adopting a standard definition may offer the following benefits:

- Provide consistent and internationally comparable data
- Identify women entrepreneurial gaps and help promote targeted capacity building for woman-owned or woman-led enterprises;
- Facilitate knowledge sharing
- Improve access to debt, equity, and alternative finance
- Improve access to markets and help promote gender inclusivity

A variety of definitions of woman-owned businesses are prevalent across the international innovation community. Knowing this, IRAP was interested in assessing the impact these various definitions have on the women-owned / women-led firms that are included among IRAP’s current clients.

As a starting point, IRAP’s Industrial Technology Advisors (ITAs) and Client Engagement Advisors (CEAs) were asked to reach out to their women-owned / women-led portfolio clients for an informal consultation. These firms were provided with a list of definitions for “women-owned business” that are currently in use globally, and ask to assess whether or not their firm met these definitions. Responding to the informal consultation was voluntary. A summary of the aggregated and anonymized information follows.

GENERAL FEEDBACK

In addition to completing the questionnaire (results below), IRAP clients provided further comments and insights regarding developing a global standard definition for “women-owned” business. The following is a summary of the feedback received from the respondents.

Percentage ownership by women

- Percentage ownership by women varies based on sector and stage of the firm, for example:
 - Companies in industries that require significant investment to scale will be less likely to meet the % ownership requirements, as % ownership will be diluted over time.
 - Early stage companies (pre-seed) founded by women may only be able to meet the required definition of “women owned” prior to taking on investment; this may result in the firm delaying

investment or limiting the type of investment a female-majority company seeks (and therefore possibly delay or limit growth as a result).

- Sectors heavily dominated by men are systematically challenged by diversity, making it statistically less likely to have representation of women-led firms. As a result, some sectors may not have representation in programs that incentivise women-owned businesses to participate.

Ownership must be well defined

- A controlling shareholder (also known as a controlling interest), where a shareholder owns the largest number of a company's outstanding shares, is the preferred definition instead of a definition of more than 51% ownership. In this case, a woman can be a controlling shareholder if she owns a significant number of a company's outstanding shares, even though the percentage is not a majority.
- Even those respondents indicating that they meet the 51% requirement stated that 51% was not reasonable; most respondents noted that if ownership matters at all, it should be related to control.
- If the definition includes "ownership", there should be guidance to how employee stock options factor into the definition.
- If the definition includes "ownership", there should be guidance on how 'ownership' applies to public companies, or public parent companies.
- A combination of ownership and other forms of control (executive roles for example) was noted as a reasonable compromise to improve the likelihood of more women-owned/women-led companies meeting the definition.

Leadership versus ownership

- Consideration should be given to whether or not a woman is leading the company (and not just ownership). Also, in lieu of a woman CEO, consideration should be given to whether one or more women are responsible for managing the day-to-day operations of the business, as women in these roles can set the culture for the firm.
- Requirements to have women as part of the firm's board of the directors helps improve the diversity of the firm; however, when investors make up a firm's board, the firm does not always have a choice as to who sits on the board.
- Focusing solely on ownership does not address the leadership gap for women in industry. The definition should be structured to better encourage women to take leadership roles, not just ownership.
- The definition should be flexible enough to cover changes in ownership by external investors, changes in board members, and also new hire managers.

Culture

- Consideration should be given to assessing the corporate culture including whether the senior leadership team promotes equality and advancement of women into management roles.

- Several respondents noted that it is not enough to have specific programs that support and incentivise women-owned or women-led firms; parallel programs should be developed to build capacity to create a more diverse and inclusive ecosystem that enables (not just incentivises) the formation of women-owned businesses.

Compliance

- Women founders and women leaders have overcome significant struggles to achieve or maintain their role. There was concern from several respondents that programs directed towards women-owned or women-led firms could be abused if women were put in leadership roles to access these programs and were not truly owners or leaders of the firm.
- When operationalizing the definition of women-owned or women-led firm, there will need to be controls in place to verify and validate that the firm genuinely meets the definition.
- Tracking a firm's diversity over time may indicate whether the firm truly has a commitment to diversity.

RESULTS:

INSTITUTION / ORGANISATION	DEFINITION	Consultation Response (113 women owned / led IRAP clients responded)
WEConnect International Women's Business Enterprise (WBE)	The four criteria considered for WBE certification by WEConnect International are ownership, management, control, and independence. <ul style="list-style-type: none"> • Have 51% ownership by one or more women. • Day-to-day operations must be managed by one or more women. • Long-term control and management of the business by one or more women. • Contribution of capital and/or expertise by women. • Operated independently from other non-certified businesses (i.e., Pass-through companies, franchises or sales representatives are not eligible). 	60.2% met this definition 39.8% did not meet this definition
Women's Business Enterprise National Council	(Definition modified for Canada) A Women's Business Enterprise, commonly referred to as a WBE, is an independent business concern that is at least 51% owned and controlled by one or more women who are Canadian citizens or permanent residents; whose business formation and principal place of business are in Canada; and whose management and daily operation is controlled by a woman with industry expertise.	54.0% met this definition 46.0% did not meet this definition
International Finance Corporation (IFC)	At least 51% female ownership. OR, At least 20% female ownership and 1 woman CEO/COO and at least a 30% female board where board exists.	79.6% met this definition 20.4% did not meet this definition

INSTITUTION / ORGANISATION	DEFINITION	Consultation Response (113 women owned / led IRAP clients responded)
U.S. Small Business Administration	(Definition modified for Canada) Be at least 51% owned and controlled by women who are Canadian citizens or permanent residents. Have women manage day-to-day operations and also make long-term decisions.	55.7% met this definition 44.3% did not meet this definition
UK Department for Business, Energy & Industrial Strategy	Majority women-led businesses are those where women make up more than 50 per cent of the partners or directors in day-to-day control of the business, or where the sole proprietor is a woman.	68.1% met this definition 31.9% did not meet this definition
OECD Entrepreneurship at a Glance 2017	Female-owned/managed enterprises are defined as enterprises having at least 65% of female owners or top managers.	56.6% met this definition 43.4% did not meet this definition
Canada Business Women in International Trade (BWIT)	Women-owned businesses are at least 51% owned, managed and controlled by one or more women.	58.4% met this definition 41.6% did not meet this definition
Women Entrepreneurs Finance Initiative, We-Fi	<ul style="list-style-type: none"> • ≥ 51% owned by a woman/women; or • ≥ 20% owned by a woman/women; and have ≥ 1 woman as CEO/COO (President/Vice-President); and have ≥ 30% of the board of directors comprised of women, where a board exists 	82.3% met this definition 17.7% did not meet this definition