



## Women-led business and investment in Scotland

### **The Hunter Centre for Entrepreneurship**

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### Introduction

This section of the report will provide an analysis of Scottish businesses as indicated in The Gender Index dataset (2022). The Gender Index examined the leadership of 4.4 million businesses across the U.K., illustrating that as of January 2022, 16.8% of firms were stated to be female-led as compared to: male-led (60.3%), mixed (16.5%) and uncertain/undeterminable (6.4%). For Scotland, the average number of female-led businesses is 15.4%, which is slightly below the U.K. average.

Yet, improving the ambitions of women in business is something that is well embedded in Scotland. For example, Women Enterprise Scotland ([WES](#)), have been supporting female entrepreneurs, conducting research and influencing policy to support women-led businesses since 2012. This includes a co-producing policy with Scottish Government, e.g. [Framework and Action Plan for Women in Enterprise](#).

Ultimately, we hope that this report, combined with other U.K. endeavours, will continue to highlight the need for future work in understanding women-led businesses as well as continued policy and resources to support female-led and led business leaders everywhere.



Key findings:

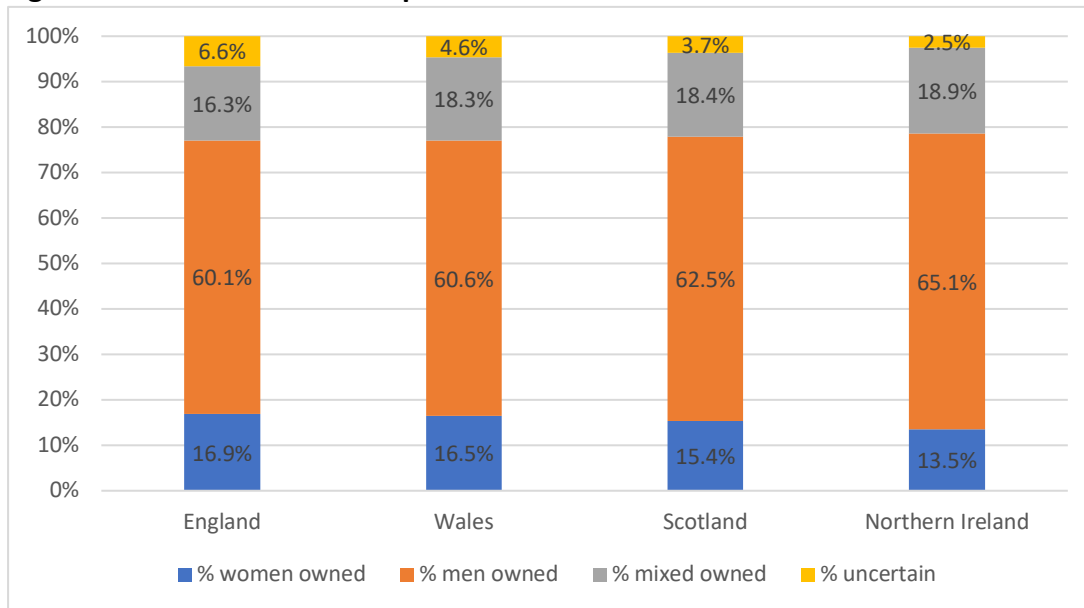
- Scotland has a slightly lower percentage of women-led businesses (15.4%) as compared to the U.K. average (16.8%) Although there is support for Scottish women entrepreneurs through organisations such as Scottish Enterprise, Business Gateway, Women Enterprise Scotland, Business Women Scotland, Association of Scottish Businesswomen (amongst others)
- 13.2% of female-led businesses considered “Small” (i.e. employing 10-49 people). This is slightly higher than the average across the U.K.
- The highest percentage of women-led businesses in Scotland are in *Human Health* (34.4%), *Social Work* (34.4%) and *Education* (33.8%) which is in line across the U.K.
- Where women are better represented in Scotland is in *Arts Entertainment & Recreation*, where women in Scotland are better represented (21.8%)
- With over 20% average growth in revenues, the performance of female-led firms in manufacturing, transportation and storage and professional, scientific and technical activities is encouraging as these are sectors that remain male-dominated but with notable and growing female representation.
- Apart from the Professional, scientific and technical activities sector, revenue growth rates among female-led firms in Scotland in the various sectors have very different patterns from those observed in other Home Nations.
- Average revenue growth rates among female-led firms in Scotland are on the whole lower than those observed in other Home Nations across all firm size bands.
- Of the companies who does raise capital, the percentage of those Scottish female-led businesses to receive angel investing is 84.1%, which is higher than male-led businesses (68.7%).
- This investment is also relatively comparable to other U.K. nations, although higher than England (83.9%) and Northern Ireland (79.2%), but slightly lower than in Wales (85.1%).
- Women-led high growth businesses in Scotland (12%) are relatively better represented than in the rest of the U.K. (8.7%).
- For Scotland, the performance of female-led firms in the relatively high value-added sectors of *information and communication* and *manufacturing* is especially noteworthy.

## 1. Women-Led Firms in Scotland

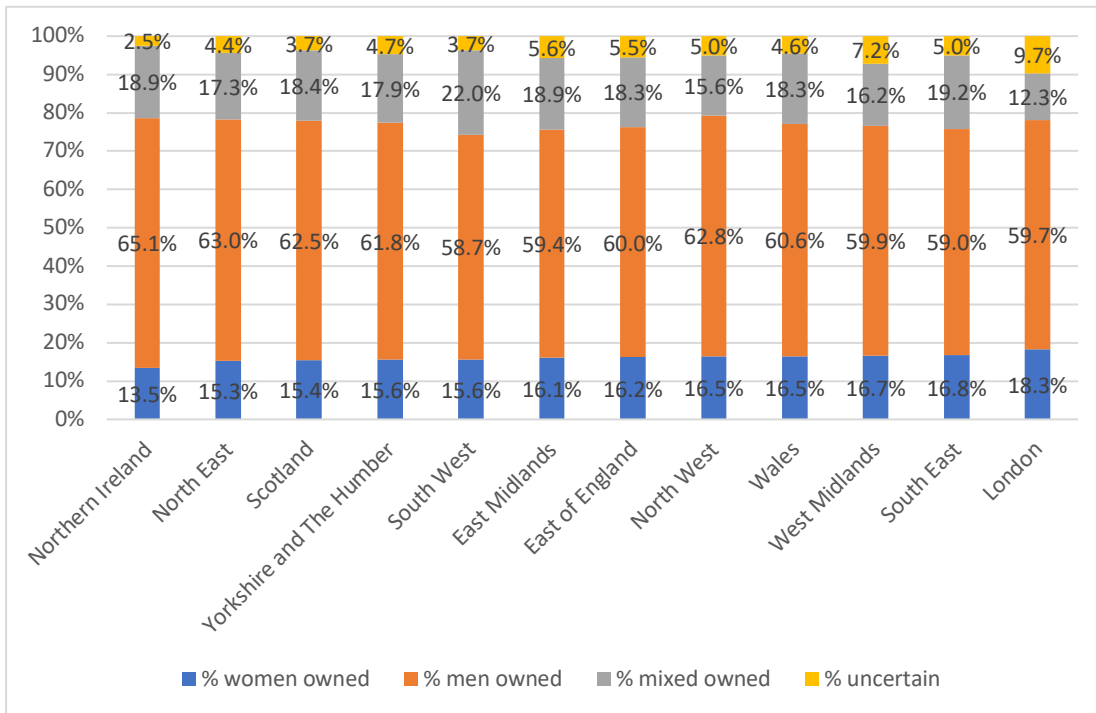
### An Overview

Overall Scotland has a slightly lower percentage of women-led businesses (15.4%) as compared to other areas of the U.K. (16.8%), including England (16.9%) and Wales (16.5%), but higher than in Northern Ireland (13.5%). This is depicted in Figures 1.1 and 1.2.

**Figure 1.1: Business Leadership in U.K. Nations**



**Figure 1.2: Business Leadership in U.K. ITL1 Regions**



As illustrated in Table 1.1, of the 34,485 female-led businesses in Scotland 15.7% are considered “Micro” in size (i.e., fewer than 9 employees). This is the highest percentage in Scotland, which is in line with other areas of the U.K. 13.2% of female-led businesses considered “Small” (i.e. employing 10-49 people). This is slightly higher than the average across the UK. England and Northern Ireland have fewer women-led “Small” businesses with 11.8% and 10.7% respectively. The percentage of women-led businesses decreases to just 9.1% and 9.2% for medium and large businesses.

**Table 1.1: Percentage of women-led businesses by size**

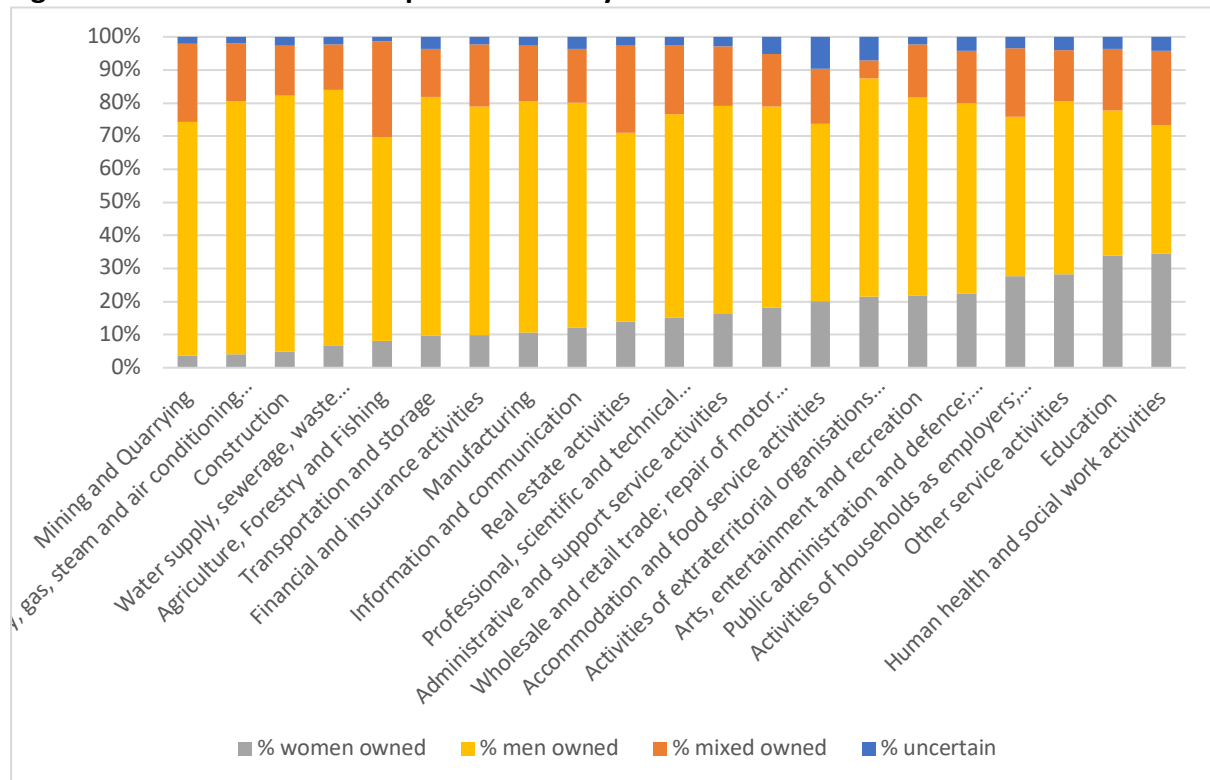
	England	Northern Ireland	Scotland	Wales
Micro (0-9 employees)	17.3%	13.8%	<b>15.7%</b>	16.7%
Small (10-49 employees)	11.8%	10.7%	<b>13.2%</b>	13.9%
Medium (50-249 employees)	9.8%	9.0%	<b>9.1%</b>	10.2%
Large (250+ employees)	11.4%	7.1%	<b>9.2%</b>	11.9%

[Details by Sector](#)



Figure 1.3 provides a breakdown of business leadership by sector in Scotland. The highest percentage of women-led businesses are in *Human Health* (34.4%), *Social Work* (34.4%) and *Education* (33.8%). This is comparable to the profile in other U.K. regions. Where we do see a difference, is in *Arts Entertainment & Recreation*, where women in Scotland are better represented (21.8%) than in other parts of the UK. This SIC code includes a wide variety of businesses from Arts, Historical and Cultural organisations through to sports and fitness activities and theme parks.

**Figure 1.3: Business Leadership in Scotland by sector**



Much lower levels of women’s business leadership are evident in Scotland across sectors such as Mining and Quarrying (3.7%), Construction (4.8%) and Electricity, gas steam and air conditioning supply (4.1%). Whilst this is comparable to other regions of the U.K., in the Transportation and storage sector, women are relatively less represented in Scotland (9.6%) as compared to other U.K. nations ( i.e. 12.9% England, 18.1% Northern Ireland and 21.6% in Wales).

## 2. Growth and High Growth Women-led Firms

### Growth Overview

With a turnover growth rate of 17% female-led businesses can be seen to perform slightly better than male-led and mixed-owner businesses in Scotland (Male - 15%, mixed - 15%). Amongst female-led businesses in the UK, however, Scotland performs slightly lower than the U.K. average of 18%, with Wales and London leading among the U.K. ILT1 regions with 21% and 22% respectively. Scotland's performance is on a par with the South East and the North West at 17%, and slightly ahead of Yorkshire and Humber (16%) and the North East (14%).

**Figure 2.1: Women-Led Business Turnover Growth Rates by nation**

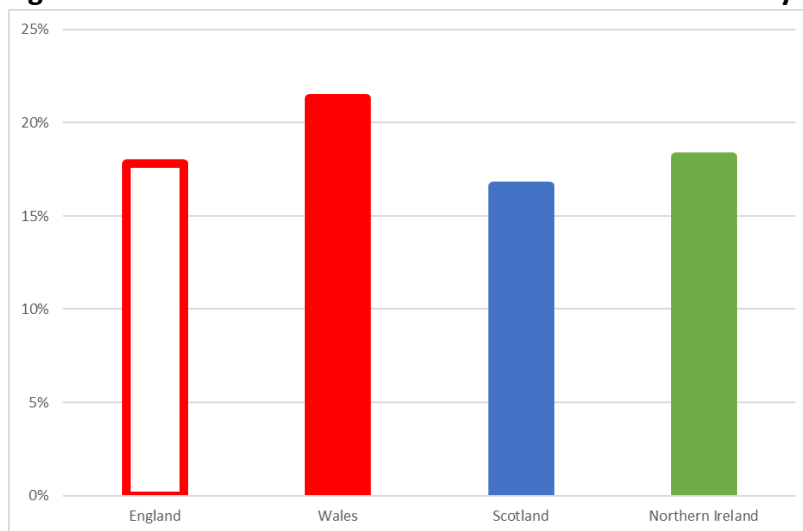
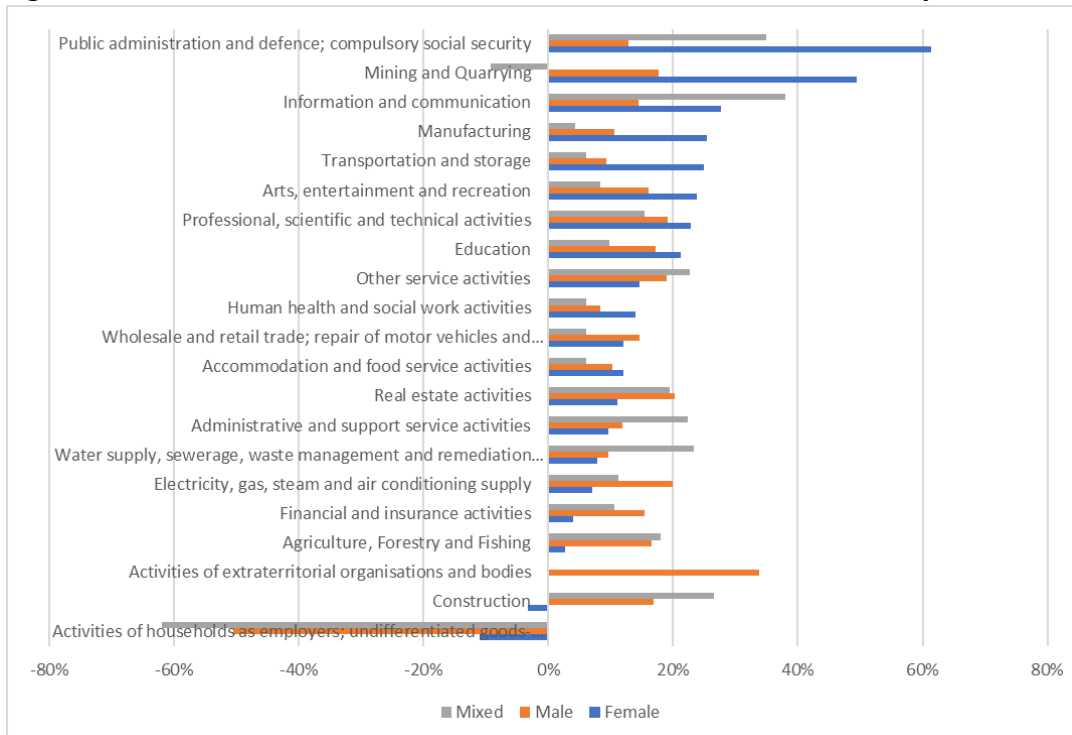


Figure 2.2. presents the average rates of turnover growth in Scottish firms by sector and gender. The first thing to note is that the patterns of growth among the three gender groups is very different in the various sectors. Disaggregation by sector is therefore highly instructive. Scottish female-led firms in the *public administration* and *defence* sectors reported the highest revenue growth rates at 61%. Male-led firms were almost fifty percentage points below the female average.

This sector captures activities of a governmental nature, normally carried out by the public administration, but often also undertaken by service delivery agencies with a few companies also playing various supporting roles. These rather high rates of growth are thus likely attributable to small cell sizes – there were only 280 firms in this sector in Scotland, 63 female-led.

**Figure 2.2: Scotland's Women-Led Business Turnover Growth Rates by sector**



Similarly, female-led firms in the mining and quarrying sector reported a growth rate of 50% on average, compared to 18% among male-led firms and a 9% drop among mixed-leadership businesses. In contrast, Female-led firms in activities of households as employers (including maids, cooks, gardener, butlers and tutors, among others) saw a reduction in revenues, albeit not as high as males'. Both of these sectors have very few firms, hence not much can be read from these findings.

Female-led firm performance in manufacturing, transportation and storage and professional, scientific and technical activities is encouraging as these are sectors that remain male dominated but with notable and growing female representation.

Comparing the performance of female-led firms by sector across the Home Nations, Figure 2.2a shows that revenue growth has followed very different patterns. In all the Home Nations, Human health and social work activities, Education, and the catch all other service activities have a notable representation in the industry with high numbers of female-led firms. Yet the average growth rates reported are very different. Only in the Professional, scientific and technical activities, with female representation ranging from 13.6% in Northern Ireland to 19.4% in England, do we find some convergence in growth rates among the Home Nations, around a healthy 20%. For Scotland, the performance of female-led firms in the relatively high value-added sectors of information and communication and manufacturing is especially noteworthy.



**Figure 2.3: Women-Led Business Turnover Growth Rates by sector in the Home Nations**

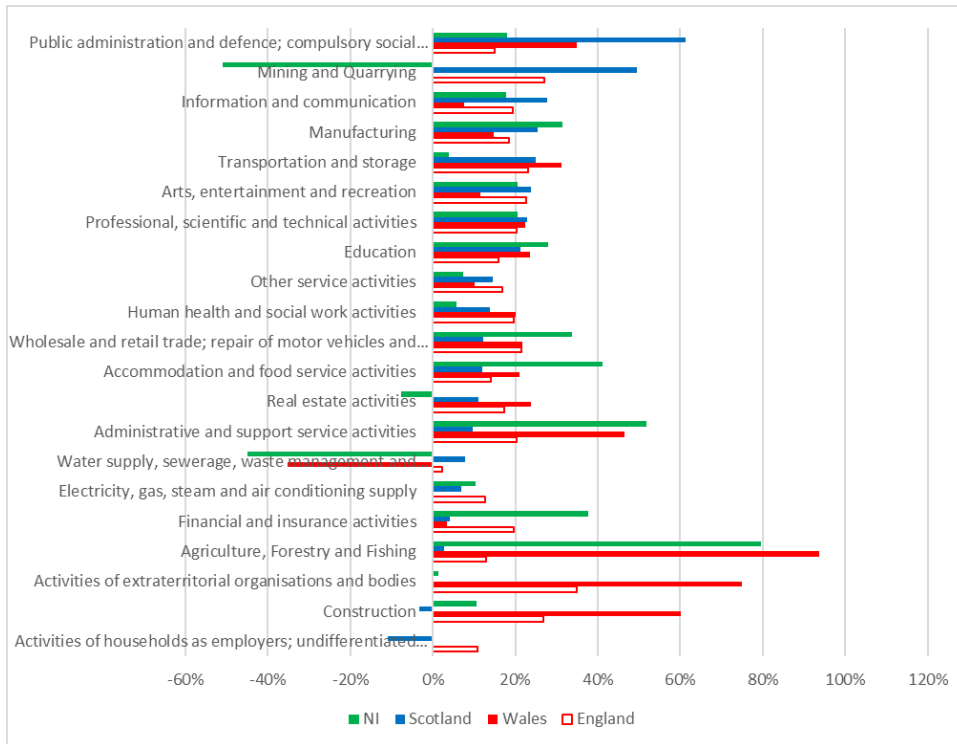
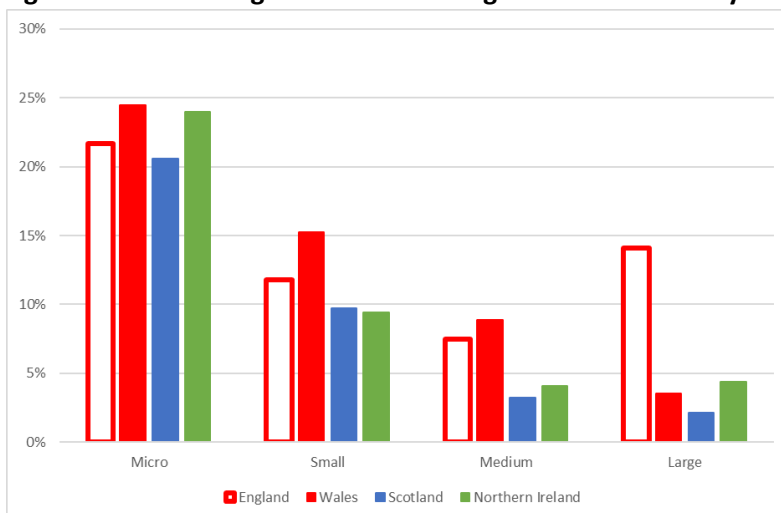


Figure 2.4 presents average turnover growth rates by size across the home nations. Micro, and to a degree, Small firms will usually have high rates of growth due to low base rates. The performance of Scots female-led medium and large firms lags behind those of other home nations on average. Significantly, large female-led Scottish firms fairly quite poorly with an average growth rate of 2% compared, in particular, to England where female-led large enterprise reported a 14% growth in revenues.

**Figure 2.4: Revenue growth rates among female-led firms by size band**







## High-Growth Women-led Businesses in Scotland

Women-led high growth businesses in Scotland (12%) are relatively better represented than in the rest of the U.K. (8.7%). However, similar to other U.K. regions, the representation of women in high growth businesses is lower than the share of women-led businesses in general. Indeed, as mentioned earlier, women-led businesses represent 15.4% of Scottish businesses, but only 12% of high growth businesses.

Interestingly, in the context of Scotland, women-led businesses are comparatively performing better in specific sectors compared to others. Some sectors see a higher representation of high growth women-led businesses than their average presence in the sector: these include: arts, entertainment and recreation with 24% (21.8% of business in the sector), education with 44% of Scottish high growth businesses (33.8% of total businesses in the sector), human health and social work (38%; compared to 34.4% of total businesses in the sector) and other service activities (33%).

**Table 2.1 Share of High-growth women-led businesses by sectors in Scotland**

female percentage	sic_category
5%	Accommodation and food service activities
16%	Administrative and support service activities
0%	Agriculture, Forestry and Fishing
24%	Arts, entertainment and recreation
0%	Construction
44%	Education
0%	Electricity, gas, steam and air conditioning supply
0%	Financial and insurance activities
38%	Human health and social work activities
10%	Information and communication
5%	Manufacturing
0%	Mining and Quarrying
33%	Other service activities
3%	Professional, scientific and technical activities
0%	Real estate activities
0%	Transportation and storage
14%	Water supply, sewerage, waste management and remediation activities
5%	Wholesale and retail trade; repair of motor vehicles and motorcycles

*In blue: critical underrepresentation, in dark grey: relatively better representation (above the average presence of women-led businesses of 15.4%)*

Conversely, there are sectors in which we observe an absence, or a very limited presence, of women-led high growth businesses including in financial and insurance services, in which **0%** of high growth businesses being women-led. This is a notable absence of women in this high growth sector, in which women-led businesses represent 9.9% of the businesses. The numbers for the financial sector are comparable to Northern Ireland (0%) but lower than in England (3%) and or Wales (6%). In Scotland, high growth women-led businesses are also



absent from Real estate activities (0%), Professional, scientific and technical activities (3% where women-led businesses represent 15.1% of total number of businesses in the sector) and Construction (0%).

Comparison to the rest of the U.K. for sectors with relatively good presence of high growth women-led businesses

Sectors in which women are performing above average and are relatively better represented for high growth ventures than in the rest of the U.K.: Administrative and support service activities with 16%, compared to England (7%), Northern Ireland (11%) but lower than in Wales (21%). Scotland compares favourably well compared to other regions in Education, Human Health and social work activities and other service activities (see Table 2.2).

**Table 2.2: Scotland's performance in high growth sectors with high female presence compared to other U.K. regions**

female percentage	country	sic_category
12%	England	Arts, entertainment and recreation
<b>33%</b>	Northern Ireland	Arts, entertainment and recreation
<b>24%</b>	Scotland	Arts, entertainment and recreation
0%	Wales	Arts, entertainment and recreation
26%	England	Education
25%	Northern Ireland	Education
<b>44%</b>	Scotland	Education
33%	Wales	Education
21%	England	Human health and social work activities
33%	Northern Ireland	Human health and social work activities
<b>38%</b>	Scotland	Human health and social work activities
31%	Wales	Human health and social work activities
18%	England	Other service activities
29%	Northern Ireland	Other service activities
<b>33%</b>	Scotland	Other service activities
29%	Wales	Other service activities

Women are absent from high growth businesses in traditionally male-dominated sectors (such as construction), but also from high growth sectors such as financial services. In sectors like financial and insurance services, the gender gap is particularly striking as 0/652 women-led businesses are classified as high-growth businesses. This questions the type of businesses that women lead in the sector.



Interestingly, high growth women-led businesses are better represented in specific sectors such as education compared to their average presence in the sector. This suggests that women-led business in those sectors are well performing and have more growth potential. Compared to other U.K. regions, Scotland is performing slightly better when it comes to high growth women-led businesses. This is specifically visible in sectors with high presence of women-led businesses in Education or Human health and social work activities. These sectors are expected to see a higher proportion of women-led businesses, and this is a positive point to see that a share of these businesses can be characterised as high growth. However, the numbers remain lower than of men-led businesses.

### 3. Investment and Investors

The Gender Index database provides information on over 1.3 million external investments made in U.K. businesses. This includes investment by venture capital firms, private equity, corporate investments, and business angels. In Scotland 10.8% of these investments were in women-led firms, a lower level than that in either England or Wales (both 12%) and higher than Northern Ireland (8.8%) (see Table 4.1). Notably, the share of investments made in women-led firms both in Scotland and across the U.K. more generally, is below the overall percentage of women-led firms within the business population. For Scotland, the Gender Index shows that of the total number of firms (223, 985), of which 34,485 (15.4%) are female-led, only 6,980 (3.1%) attracted external investment. This figure sits slightly below the U.K. average of 3.5%, and for other devolved regions is higher than Northern Ireland (2.6) and similar to Wales (3.2%) (see Table 3.1)

**Table 3.1: Share of all external investments by leadership type**

	Women-led	Male-led	Mixed owners	Uncertain owners	Total Number
England	12.0	65.9	17.2	4.9	1,194,152
Northern Ireland	8.8	70.9	18.6	1.6	19,251
<b>Scotland</b>	<b>10.8</b>	<b>68.8</b>	<b>17.6</b>	<b>2.7</b>	<b>64,342</b>
Wales	12.0	65.5	19.1	3.4	34,359
U.K.	11.9	66.1	17.3	4.7	1,312,104



These recent figures provide yet further evidence of an enduring pattern of differences between the financing of male and female businesses. Studies have consistently found that relative to their male counterparts, female-led businesses attract, use, or ask for less external funding. In particular, research using U.K.-wide data collected from pairs of male and female business leaders matched by sector and age of firm, established that female-led businesses received on average one third of the investment secured by male-led businesses. Recognising the important of economic capital for the long-term impact of undercapitalisation, these recent findings continue to suggest that the growth patterns of female-led businesses may be different from those of their male counterparts because of the significantly lesser sums of external funding they secure and are provided (Carter, Shaw, Wilson & Lam, 2007)<sup>1</sup>.

Looking at the nature of investment in women-led businesses we see that across U.K. regions, the bulk of external investments (84%) are made by Angel investors, with a further 16% of external investments in women-led businesses coming from corporate share purchases (see Table 3.2). Interestingly, at a U.K. level the bulk of investments are in male-led firms, while sharing a similar profile, indicate that Angel investment in male-led firms is less (69%) while corporate share purchase is more (29%). Venture capital investments and investments by private equity firms account together for only 0.5% of all external investments in women-led firms compared with 0.7% for male-led firms.

**Table 3.2: Percentage and number of women-led firms attracting investment**

	Venture Capital	Private Equity	Corporate investment	Angel investment	Total Number
London	0.8%	0.2%	17.7%	81.4%	8,446
South East	0.6%	0.1%	15.5%	83.8%	14,307
East of England	0.5%	0.1%	13.9%	85.5%	48,997
Yorkshire and The Humber	0.4%	0.1%	14.1%	85.3%	2,892
North West	0.4%	0.1%	13.9%	85.7%	14,783
South West	0.3%	0.0%	14.1%	85.6%	23,798
West Midlands	0.3%	0.0%	13.3%	86.4%	10,256
East Midlands	0.2%	0.2%	14.4%	85.2%	11,181
North East	0.1%	0.0%	14.8%	85.0%	8,364
Northern Ireland	0.0%	0.1%	20.8%	79.2%	1,703
<b>Scotland</b>	<b>0.1%</b>	<b>0.2%</b>	<b>15.7%</b>	<b>84.1%</b>	<b>6,980</b>
Wales	0.3%	0.1%	14.5%	85.1%	4,136
<b>U.K.</b>	<b>0.5%</b>	<b>0.1%</b>	<b>15.5%</b>	<b>83.8%</b>	155,843

<sup>1</sup> Carter, S. Shaw, E. Wilson, F. and Lam, W. (2007). 'Gender, Entrepreneurship and Bank Lending: The Criteria and Processes Used By Bank Loan Officers in Assessing Applications', *Entrepreneurship, Theory and Practice*, 31(3): 427-444



Scotland shares a broadly similar pattern, with Angel investment in women-led firms standing at 84.1% and, to a much lesser extent, company share purchases (15.7%). In contrast, Angel investment in Scottish male-led firms accounts for a lower figure of 68.7% while company share purchases account for a higher figure of 29.5%. While it is notable that the share of external investments in women-led Scottish firms accounted for by formal venture capital lies below this U.K. average (0.5%) at 0.1%, placing the region only above Northern Ireland (0.0%) and below all other U.K. regions especially London (0.8%) and the South East (0.6%), it should be noted venture capital investment in U.K. male-led firms is also low at 0.7% for Scotland stands at 0.5% (Table 3.2). The figures indicate that across the U.K., investment in small firms is yet to be identified by venture capitalists as an important area of investment.

How many women investors are in Scotland?

Given the importance of Angel investment as a source of external finance across the U.K., it is interesting to examine the composition of these investors. The Gender Index identifies 2.24 million individual Angel investors across the U.K. of which 30.2% are female, 50.8% male and 19% of unspecified gender. Relative to other regions, 31.2% of Angel investors in Scotland are female placing the region slightly above the U.K. average (30.2%), and broadly comparable with most other U.K. regions including the other devolved regions of Northern Ireland (31.2%) and Wales (32.4%) (Table 3.3).

**Table 3.3: Gender breakdown of angel investors**

	Female	Male	Uncertain	Total	Number
East Midlands	33.3	48.5	18.2	100.0	123,818
East of England	33.2	46.7	20.1	100.0	111,647
London	32.6	50.6	16.8	100.0	169,592
North East	32.6	48.7	18.7	100.0	215,135
North West	32.0	49.4	18.6	100.0	351,703
South East	31.4	50.0	18.6	100.0	47,582
South West	31.2	50.8	18.0	100.0	216,767
West Midlands	31.2	48.0	20.8	100.0	150,833
Yorkshire and The Humber	25.4	53.7	20.9	100.0	647,726
Northern Ireland	31.6	57.2	11.2	100.0	37,329
<b>Scotland</b>	<b>31.2</b>	<b>52.2</b>	<b>16.7</b>	<b>100.0</b>	<b>109,124</b>
Wales	32.4	49.7	17.8	100.0	62,375
U.K.	30.2	50.8	19.0	100.0	2,243,631