

## WOMEN LED BUSINESSES CREATE STRONGER ECONOMIES

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### ABSTRACT

“If ever the world sees a time when women shall come together purely and simply for the benefit and good of mankind, it will be a power such as the world has never known.” Nineteenth-century poet Matthew Arnold believed that women can change the world. Today, in the twenty first century businesses lead the world, businesses hold up economies, nurture talent and creativity, create jobs, initiate social change, and reform policies. At a time like this where business are so crucial for the economy, it is critical to develop leadership skills for such businesses and update the traditional command-and-control model. Women have so many significant and unique faculties to bring to the table yet they are widely underutilized. This paper emphasizes women’s great leadership assets and argues that they are more naturally endowed in leadership talents.

**Keywords:** Business, women, leadership, skills, command-and-control model, web thinking, transactional leadership, transformational leadership, collaborative leadership.

### INTRODUCTION

Women business leaders have differentiated themselves as strong decision-makers. Research suggests that women at the helm of companies and investment portfolios tend to outperform their male counterparts on a global level.

Although much attention has been dedicated in commercial literature showing women how to startup businesses or providing special tips for women on how to become successful entrepreneurs, not much attention has been dedicated on what makes women better fit for leadership than men. In her book *Women on Top: How Women Entrepreneurs Are Rewriting the Rules of Business Success* (Heffernan, 2008) Heffernan asks what makes women leaders different? And how can others learn to capitalize on their strengths? Through interviews with hundreds of women entrepreneurs, Margaret Heffernan discovered that women are more values-oriented, more flexible, and less ego-driven than their male counterparts; as a result they're creating company cultures that are better able to meet the demands of the new economy. Sandberg in her book *Lean In: Women, Work, and the Will to Lead* (Sandberg, 2013) provides that all women agree they have the right to equality at work, however, the same women don't feel confident asking for a raise, a promotion, or equal pay. The statistics - Sandberg continues - although an improvement on previous decades, are certainly not in women's favor - of 197 heads of state, only twenty-two are women. Women hold just 20 percent of seats in parliaments globally, and in the world of big business, a meager eighteen of the "Fortune" 500 CEOs are women. In "Lean In" the Facebook COO and one of "Fortune" magazine's Most Powerful Women in Business - looks at what women can do to help themselves, and make the small changes in their life that can effect change on a more universal scale.

The sources mentioned above - although successful and courageous - can be viewed as applicable to the Western economies and to Western women especially. This paper also

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draws from data collected, and studies undertaken in Western countries, therefore limited in regards to a more global perspective on women's success in leadership. There is an urgent need for more literature written on African, Asian and Middle Eastern women's success in leadership.

### **Why are Women Better Business Leaders?**

For millions of years, men and women did different jobs, tasks that required different skills. As natural selection weeded out less able workers, time carved differences in the female and male brain. No two human beings are alike. Countless cultural forces influence how men and women think and act and each one of us is an elaborate mix of both male and female traits. Yet on average, each sex has its own range of abilities; each is living archive of its distinctive past<sup>2</sup>.

In her extensive research on gender differences in the human brain, Dr. Fisher, identified some talents that women express more regularly than men; aptitudes that stem, in part, from women's brain architecture and hormones, skills that leadership theorists now espouse as essential to leadership effectiveness. These talents are not exclusive to women, yet women display them more regularly than men.

#### **1. Women are *Web Thinkers***

Fisher found that women have a distinctive way of thinking she calls *web thinking*, when web thinking, women integrate more details faster and arrange these bits of data into more complex patterns, when women make decisions they tend to weigh more variables, consider more options and see a wider range of possible solutions, they tend to take a broader, more holistic, more contextual perspective of any issue, they think in a web of factors not straight lines.

Men on the other hand, are more likely to focus their attention on one thing at a time, they compartmentalize relevant material, discard what they regard as extraneous data, and analyze information in a more linear casual path, Fisher calls this type of cognitive thinking *step thinking*.

The reason why web thinking is advantageous in business, is that it is related to long-term planning, the ability to assess multiple, complex scenarios and plot a long-term course. Business analysts recognized that women think long term regularly, whereas men are more likely to focus on the here and now. Web thinking can be useful in leading business because it helps women exercise more intuition and intuition plays a productive, if often unrecognized role in managerial decision making. Women's web thinking provides them with the quality of holding several things simultaneously in mind and to better tolerate ambiguity, this is especially important when business today is becoming increasingly ambiguous. Finally, in the present highly complex marketplace, a contextual view is a distinct asset and web thinking provides women with this ability, in fact when senior executives were asked to describe women's most outstanding contribution, their consensus was that women's more varied, more conventional point of view<sup>3</sup>.

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<sup>2</sup> Fisher, H., (2011), "The Natural Leadership Talents of Women" in Coughlin, L., and eds., "Enlightened Power: How Women are Transforming the Practice of Leadership", Linkage Inc., p. 133.

<sup>3</sup> *ibid*

## 2. Women are driven by Opportunity

Women are opportunity driven, which can be one of the most, if not *the* most important trait one can have when leading a business, when confronted with a challenge, women look for the opportunity within, they push the boundaries and when faced with adverse circumstances they learn all they can from it. Estée Lauder, the child of Hungarian immigrant parents, was quite the opportunist in the cosmetics industry. During the postwar consumer boom, women wanted to start sampling cosmetic products before buying them. Lauder noticed and responded to this shifting dynamic by pioneering two marketing techniques that are commonly used today: the free gift and the gift-with-purchase. It's exactly this type of inventiveness that other women use to pursue the opportunities in front of them<sup>4</sup>.

## 3. Women are Transformational Leaders

Walumbwa (2004)<sup>5</sup> and Eagly and Johannesen – Schmidt (2002)<sup>6</sup> recognized the two main methods of leadership; transactional leadership and transformational leadership. Transactional leadership suits the masculine social interaction, it supports an *agentic*<sup>7</sup> desire for competition, aggression, and assertion. The transactional model of leadership utilizes and rewards competition by forcing subordinates to compete for rewards; it advocates aggression by leading in an automatic, definitive manner and finally, it encourages assertion by maintaining power through transactions with subordinates.

The Transformational leadership on the other hand is a form of leadership practiced by women. It is characterized by a focus on individualized interactions, inspirational motivation, intellectual stimulation and influencing subordinates positively. Transformational leaders encourage teamwork and attempt to help raise subordinates performance beyond self-interest or reward, they focus on benefitting the organization and are less concerned with individual power and recognition, they are more interested in successful group dynamics. The key distinction between the masculine transactional leadership model and the feminine transformational leadership model is focus; transactional leadership focuses on the individual power of the leader, whereas transformational leadership focuses on the success of the group<sup>8</sup>.

## 4. Women practice “Collaborative Leadership” or “Shared Leadership”

Feminist literature has shown that women use collaboration when they are leading. The leadership technique that feminist women highly value is that all will be involved in planning, decision making, and consensus building. Feminists also tend to nurture, engage

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<sup>4</sup> Llopis, G., (2014), “*The Most Undervalued Leadership Traits in Women*”, Forbes,

<http://www.forbes.com/sites/glennllopis/2014/02/03/the-most-undervalued-leadership-traits-of-women/>

<sup>5</sup> Walumbwa, F. O., (2004). The role of collective efficacy in the relations between transformational leadership and work outcomes. *Journal of Organizational and Occupational Psychology*, 17, 1 – 16.

<sup>6</sup> Eagly, H., and Johannesen –Schmidt, M., (2002), “The Leadership Styles of Women and Men”, *Journal of Social Issues*, Vol. 57, Issue 4, pp. 781-797.

<sup>7</sup> Men tend to be agentic in their social interactions – that is they are more likely than women to act in their own interest and participate in a social interaction as if it were a negotiation. These agentic qualities that have become associated with masculine leadership include: aggression, ambition, dominance, forcefulness, independence, self-confidence and competitiveness and where communal qualities such as concern for others are discouraged.

<sup>8</sup> Duff-McCall, K., and Schweinle, W., “Leadership and Women” in Plaudi, M., (2008), “The Psychology of Women at Work”, Greenwood, p. 87.

and communicate while they lead. This method of collaboration valued by feminist women leaders is viewed as leveling the playing field between leader and follower, and to create more egalitarian environments; eventually, these collaborative and egalitarian processes have been described as “shared leadership”<sup>9</sup>.

More recently researchers have been calling for the concepts “collaborative leadership” and “shared leadership” as essential skills and processes of the “modern” leader<sup>10</sup>. Raelin<sup>11</sup> introduced the four Cs of “Leaderfull Practice” where he recognizes that leadership in this century must be: Concurrent, Collective, Collaborative, and Compassionate. Raelin’s definition of good leadership practices is identical to that of the feminists approach in placing less emphasis on the “need to win at all costs” compared to men. Rawlings<sup>12</sup> confirmed this further by arguing that current trends of globalization, accelerated growth, and re-engineering require more cross-functional collaboration and integrated strategies across organizations. Senior and middle management teams are being asked to work together with more interdependence, with shared accountabilities outside their own functions and with higher levels of trust and participation, this view of leadership does not fit with the traditional beliefs about the autocratic nature of team and team building.

### Gender Biases when it comes to Women led businesses

Eagly and Karau<sup>13</sup> found that perceived incongruity between the female gender role and leadership roles leads to two form of prejudice: (a) perceiving women less favorably than men as potential occupants of leadership roles, and (b) evaluating behavior that fulfills that prescription of a leader role less favorably when it’s enacted by a woman. One consequence is that attitudes are less positive towards female than male leaders. Another consequence is that attitudes are less positive towards female than male leaders. Other consequences are that it is more difficult for women to become leaders and to achieve success in leadership roles. Although research<sup>14</sup> suggests that the differences between how men and women lead depends on situational context, this means that leadership is contextual and to understand how women and men lead, attention must be paid to the context in which they lead.

Looman<sup>15</sup> suggests moving closer to the feminine way of leading in order to cope with current complex and volatile environmental and cultural trends, she argues that leaders must turn from the profitability-at-all-costs focus, towards integrating their cognitive and emotional mental-processing systems and function from a metacognitive perspective. Andrea Jung, a highly successful American business woman<sup>16</sup> and CEO of Avon products, found that

<sup>9</sup> Chin, J., Lott, B., and eds. (2008), “Women and Leadership: Transforming Visions and Diverse Voices”, Wiley, pp. 10-15.

<sup>10</sup> Cook, I., (2002), “Ya Gotta Get'em to Wanna: 6 Roles of the Modern Leader”, Source: Center Collection, p. 8-9.

<sup>11</sup> Raelin, J., (2003), “Creating Leaderfull Organizations: How to bring out Leadership in Everyone”, San Francisco:Berrett-Koehler, pp.3-10.

<sup>12</sup> Rawlings, D., (2000), “Collaborative Leadership Teams: Oxymoron or New Paradigm?”, Consulting Psychology Journal: Practice and Research, 52 (1), 36-48.

<sup>13</sup> Eagly, A. H., and Karau, S. J., (1995), “Gender and the Effectiveness of Leaders: A Meta-analysis, Psychological Bulletin, 111, 3-20.

<sup>14</sup> Eagly, A. H., and Johnson, B. T., (1990), “Gender and Leadership Style: A Meta-analysis” Psychological Bulletin, 108, 233-250.

<sup>15</sup> Looman, M. D., (2003), “Reflective Leadership: Strategic Planning from the Heart and Soul”, Consulting Psychology Journal, Vol. 55 (4), 215-220.

<sup>16</sup> In 2001 Jung was named by *Fortune* magazine for the fourth year, one of the 50 most powerful women in American business.

businessmen had limited insights into women's abilities. Most men still consider women as fragile vessels whose self-confidence would be shattered with a well delivered put-down and whose strength would be depleted after eight hours of high-powered deal making. Jung realized that men refused to recognize their own limitations, while women did that all too well. Jung continues that in her business she adopts strategies typically used by her male colleagues while refusing to accept the limitations placed upon her by virtue of her gender. However, many believe that Jung's success is owed to the fact that her line of business is viewed as feminine in "context" and because she did not behave outside the expectation of the public "perceptions".

### **The Reality: How Well Women Led Businesses are doing in the Market**

Engaging more women to lead – whether it's making economic decisions, participating in the boardroom, or playing politics – benefits the way business is done on a global scale. Credit Suisse published a report in 2012 that shows that having more women on corporate boards increased both the share price – particularly in volatile markets – and the return on equity of companies. Norway, the first country to institute a 40% female quota on boards in 2003, now reports that the increased presence of women in leadership elevates boards and companies to be more successful. Consequently, Norwegian companies find themselves seeking more female executives, often beyond their own borders by necessity<sup>17</sup>.

According to the 2014 Business Outlook Survey, conducted by the Women President Organization (WPO), Women-owned companies account for 30 percent of all U.S. businesses, contribute nearly \$3 trillion to the economy and make up 16 percent of all jobs. In 2014, more than a quarter (28%) of WPO member businesses have achieved a growth rate of 25% or more. When compared to 5.4% average U.S. business growth, these top women-led businesses have outperformed the national average by three times or more. Close to half (42%) of WPO members project 2014 revenues to top \$5 million<sup>18</sup>.

"Not only are women-owned businesses thriving, they're outpacing their male counterparts and setting the bar high for success. They are increasing their bottom line, expanding their workforce and providing new jobs," said Marsha Firestone, Ph.D., WPO President and Founder<sup>19</sup>.

In the UK a Women's Business Council (WBC) was established in 2012<sup>20</sup> as a government initiative to build a stronger, fairer economy capable of delivering lasting growth and widely shared prosperity. A key element of this is maximizing women's contribution to economic growth, to get the best advice on how to better support women in the economy. Their report, published in June 2013, found that:

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<sup>17</sup> The Guardian, (2013), "More Women in Business Makes for better Business overall", <http://www.theguardian.com/sustainable-business/blog/women-better-for-business>

<sup>18</sup> PR Newswire, (2014), "Top Women-Led Businesses are seven times more confident in the economy and grew three times faster than the national average", <http://www.prnewswire.com/news-releases/top-women-led-businesses-are-seven-times-more-confident-in-the-economy-and-grew-three-times-faster-than-national-average>

<sup>19</sup> *ibid.*

<sup>20</sup> The Women's Business Council is an independent working group that was set up by Government in 2012 with the aim of ensuring real action by Government, business and others to maximise women's contribution to economic growth. Chaired by Ruby McGregor-Smith CBE (CEO, MITIE Group plc), its members are all business people working in a range of sectors – including advertising, recruitment, enterprise, retail, legal, financial and pharmaceutical.



- By equalizing labor force participation rates of men and women, the UK could increase economic growth by 0.5 percentage points per year, with a potential gain of 10% of GDP by 2030.
- If women started businesses at the same rate as men we could have an extra one million female entrepreneurs.
- There are over 2.4 million women who are not in work but want to work, and over 1.3 million women who want to work more hours. The report went on to make recommendations for Government and business in four key areas:
  - “Starting Out”, supporting girls and young women in the education system and supporting their transition into the labor market or into enterprise<sup>21</sup>.
  - “Getting On”, where women are looking to capitalize on the progress they have made, either by securing their positions or by looking to move into more senior and managerial roles, but where their careers may be interrupted by caring responsibilities<sup>22</sup>.
  - “Staying On”, ensuring the skills and experiences of older women are not lost to the economy.
  - “Enterprise”, where there is huge untapped potential amongst women.

### **Women Led Businesses are Soaring Financially and Conquering Areas of Business Non-Conventional to Women.**

The Women Presidents' Organization (WPO), a nonprofit membership group for women presidents of multimillion-dollar companies, released its seventh annual list of the 50 fastest-growing women-led companies in April 2014 and this year marks the first time it has included applicants from outside the United States.

"We saw production soaring, with an average revenue growth of 203% from 2009 to 2013," says Marsha Firestone, president and founder of the WPO. "Not only is the financial growth of these companies impressive, it shows that women entrepreneurs are making inroads in non-traditional businesses, such as information technology, transportation, and engineering." The incredible growth of these companies is particularly impressive given the current business environment. Privately held U.S. companies ended last year with an average annual sales growth of 5.4%, the slowest growth rate since 2009, according to the WPO<sup>23</sup>.

To qualify for the ranking, businesses had to be privately held, woman-owned or led, with annual revenue of at least \$500,000. The ranking was determined by both percentage growth and absolute growth over the four-year period from 2009 to 2013. This year, the average company on the list has revenue of \$99 million and employs 657 people. And, proving it's never too late to launch the next big thing, 90% of the women are founders, and the average age is 48.

"Women business owners stayed the course throughout the Great Recession, sometimes making hard choices in order to keep their businesses going. They were confident their

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<sup>21</sup> Government Equalities Office, (2013), "Women and the Economy, Government Action Plan", [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/255595/1270-B\\_Women\\_WEB.PDF](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/255595/1270-B_Women_WEB.PDF)

<sup>22</sup> *Ibid.*

<sup>23</sup> Feloni, R., (2014), "The Fastest-Growing Women-Led Companies" The Business Insider, <http://www.businessinsider.com/fastest-growing-women-led-companies-2014-4?op=1&IR=T>

businesses would not just survive, but thrive, and this year's WPO Business Outlook Survey results demonstrate that," said Key4Women Manager Martha Seidenwand<sup>24</sup>.

## CONCLUSION

The importance of businesses in today's economy is unprecedented, for this reason, better methods in leading these businesses is vital. Men have for the longest time executed the traditional masculine transactional leadership model, where aggression, rewarded competition and profitability-at-all-costs focus prevailed. Today more and more thinkers are calling for the feminine collaborative, compassionate, inspirational and motivationally oriented model of leadership which women are successfully leading businesses by globally. The underutilized leadership talents which women regularly display such as web thinking, shared leadership, opportunity creation and team work encouragement which goes far beyond self-interest is regarded the only way forward for successful businesses today.

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<sup>24</sup> *ibid* (see footnote 18).

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