

Services to Global Markets

A Profile of Canadian Women Who Export Services



A Message from the Foundation

The Foundation of Canadian Women Entrepreneurs is pleased to release the first comprehensive national research on Canadian women exporters in the services sector. 'Services to Global Markets: A Profile of Canadian Women Who Export Services' is a direct result of Canada's first all women Trade Mission to Washington, D.C. in 1997 and the groundbreaking 1999 Canada/USA Businesswomen's Trade Summit held in Toronto. The Foundation was a proud participant and supporter of these events. Since then, it is exciting to see the interest in women's businesses in Canada grow and the development of other programs, trade missions and research for women in business. Participation in these events has shown the significant impact and contribution that women in business are making today. Over 86 percent of Canadian businesses owned by women are in the services industries. This is the first national research which attempts to document who they are, what they do, where they export to, how they export and what their major challenges are.

Information in this research shall be used to help address the challenges and issues that women face as well as to support and promote their successes. On behalf of all women in business in Canada, the Foundation wishes to express its sincere gratitude to the sponsors, partners and supporters of this research project: Bell Canada, Business Development Bank of Canada, Industry Canada, Department of Foreign Affairs and International Trade, the Canadian Embassy in Washington, D.C., the sponsors of the 1999 Canada/USA Businesswomen's Trade Summit, the Royal Bank, Iron Design Inc., and Dr. Dorothy Riddle, President and CEO of Service-Growth Consultants Inc. Thank you.

Andrina G. Lever

President, Foundation of Canadian Women Entrepreneurs

April, 2000

The Foundation of Canadian Women Entrepreneurs was established in 1996 and is Canada's only national registered charity dedicated solely to the promotion, support, education and advancement of Canadian women entrepreneurs across the country. For more information on the Foundation, please call 416-920-2579.

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Services to Global Markets



Introduction

Over 86 percent of Canadian businesses owned by women are in service industries, but little has been known about their exporting activities. This study was launched as a result of the 1999 Canada/USA Businesswomen's Trade Summit to learn more about the thousands of women who earn foreign exchange for Canada by marketing their services to foreign customers. Each of these women grapples with the challenge of convincing a foreigner to buy a service before it has been produced – i.e., to take a risk on their ability to perform. Our thanks to the 65 Canadian women who completed surveys and the 59 women business owners who took part in the cross-Canada focus groups.

“Deborah provides legal advice to foreigners wanting to invest in Canada. Frances trains Korean executives in English. Juanita has offices in Peru and South Africa to oversee waste management projects. Gail customizes software for monitoring acute care patients in the U.S. What do these women have in common? They are each exporting their services.”

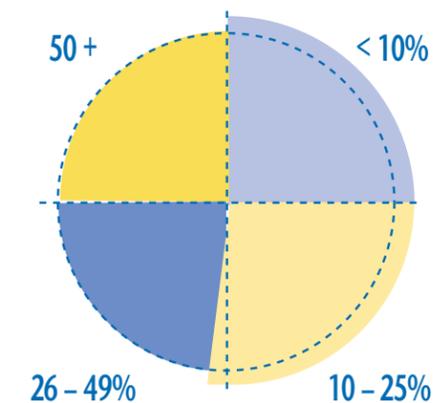
Portrait of Canadian Women Exporters

It is common knowledge that businesses started by women are more likely than average to survive past the first three years, due in part to making more careful decisions about finances. The same is true in exporting services: women succeed more frequently than their male counterparts though their average revenue volumes tend to be lower. These women attribute their success to patience and persistence (60%), wide networks of well-connected contacts (52%), a willingness to adapt to the local culture (51%), and innovative services that meet unmet needs (49%),

The main challenges these women face are finding the time required to travel abroad, given other responsibilities (64%), lack of well-connected contacts (52%), funding the repeated market visits necessary to acquire new business (46%), and difficulty in finding suitable local partners (42%). For experienced exporters, an additional issue is ensuring adequate staff capacity to service export contracts (36%). These women just starting into business and simultaneously into exporting also report difficulty with bankers refusing to recognize foreign receivables as good credit risks (40%), in part because they are dealing with junior account executives with limited authority. In overcoming these challenges, some women rely heavily on export revenues (up to 100% of total revenues) while others export as a sideline to their domestic business.

- 92% founded their firm
- 92% have university degrees
- 71% have less than 10 employees
- 83% contract regularly with partners
- 42% began exporting immediately
- 62% export more than 1 service
- 48% export training services
- 55% have annual revenues of less than \$ 0.5 million
- 50% of experienced exporters earn less than \$ 0.5 million
- 79% export to increase sales
- 25% have children under 18

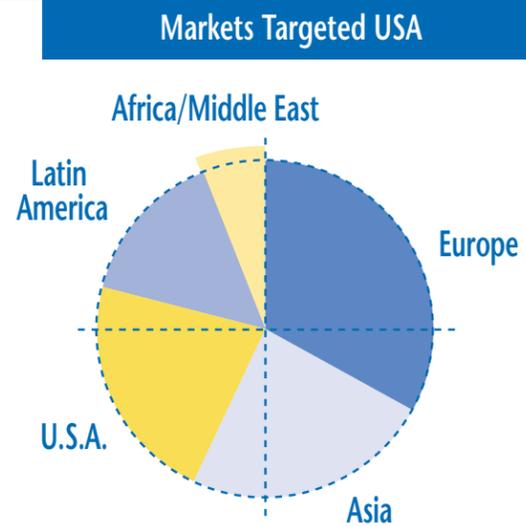
Percent of Revenues from Export



Summary of Survey Results

1. Women export services to multiple markets

Often women are exporting services to at least two markets simultaneously (44%). On average, these women have exported to 7.1 markets, though some have exported to more than 44 markets. The U.S. represents the first export market for 83 percent of the women, in part because it involves less time away from home in travel, but only half of women who begin exporting immediately target the U.S. first. Women service exporters are active in every geographic region, with particular interest in new markets in Europe (39%) and Latin America and the Caribbean (26%).



2. Women service exporters are their service

Because these women business owners are so closely identified with the service being exported, they usually do the market development and the service delivery themselves. Rather than delegating export development to other senior staff or hiring representatives abroad, they hire additional administrative staff to keep the domestic operations running well in their absence.

Women report that it takes on average eight months and two market visits to close a new contract. They need to meet face-to-face with potential clients in order to build rapport and establish confidence in the ability of their firm to deliver, meaning that they need to travel internationally. While 40 percent reported getting unsolicited queries about their service based on word-of-mouth and 13 percent bid on opportunities

“ In my experience I cannot send someone else to a foreign market to sell my services because my service is me. It is my knowledge, my skills, and my experience that I am selling, and no one can do that better than me. ”

2. Women service exporters are their service (continued)

from funding agencies, most developed new market opportunities themselves during their travels by making presentations (58%) or participating in target market industry association events (46%). For 50 percent of the women, their services were delivered abroad through their own travel to the client.

Because their credibility to foreign clients and referral sources is so important in creating new export opportunities, women report investing in a range of credentials to verify their capabilities. Over 38 percent of these women had obtained M.B.A.s or doctorates. Some seek out affiliate professorships with Canadian universities, others initiate and maintain international certifications for their own expertise and the quality management system for their firm (e.g., ISO 9000).

“ The sale of my service is contingent upon my reputation. I have spent a lot of time and money on various upgrading programs that increase my qualifications and, in turn, my marketability. ”

3. Women teach themselves how to export their services

Most of the women report learning as they go or just jumping in. Some took courses or seminars on exporting, but only a few found that the current export training useful or relevant to them as service exporters. Of those exporting both services and goods, 42 percent commented that exporting services was different than exporting goods and more difficult.

Many of the women are preoccupied with teaching themselves how to use Internet technologies to support exporting. While over half report getting information on export opportunities from customers (55%) and strategic

3. Women teach themselves how to export their services (continued)

partners (64%), 43 percent are already actively using the Internet for market research.

With regard to government export development programs, only 42 percent had ever participated in a provincial or federal trade promotion program. Of those who had participated, most had been part of a federal trade promotion initiative (73%). Very small firms report not qualifying due to size (42%) or not being selected even though qualified (17%), while 71 percent of small firms were unaware that such programs exist. Examining the firms by average revenues, none of the firms earning over \$1 million were aware of the government programs. Of those who had participated, 37 percent reported finding them very helpful; however, 33 percent of new exporters and 40 percent of those who only export services were dissatisfied with the assistance.

“ When I realized I was not going to be supported by government agencies with the resources I needed, in the time-frame I was working with, I jumped in and learned it myself. Banks and government agencies don't seem to understand that you don't know what you don't know. Because I was not provided with the information I didn't know I needed upfront, I had to go back and learn it myself. ”

4. Managing growth is a major challenge

One of the primary challenges that women raised in the focus groups was how to manage the growth of their firm without jeopardising the quality of service they provide to clients. Especially when trying to develop export markets, women commented repeatedly that the travel and delivery time needed could undermine relations with domestic clients. Women commented that they have found no resources to help with this challenge as most materials or training focus on start-up rather than growth.

“ Managing my growth is my greatest challenge. I did not expect the surge in new business opportunities as a result of my export initiatives. My problem is that I have no idea of where to turn. My financial institution and government programs cannot respond fast enough to meet my needs. And I'm afraid that, if I explore new markets, I will lose existing clients. ”

5. Women rely on personal networks and referrals to succeed abroad

Women rely primarily on referrals from customers (68%) and strategic partners (57%) to identify market opportunities and target market contacts. This networking is time consuming, but critical, as 44 percent first deliver services in a new market in conjunction with a local partner.

“ Are you kidding? All of my most significant successes have come from personal referrals. In one instance, I was chatting with a woman I met in my yoga class when we asked one another about our professions. As it turned out, this woman, who is now a business partner, offered an introduction to her brother in London, England, in the market and industry I was looking to target. ”

6. Foreign markets are less difficult to enter than expected

Less than 10 percent of the women mentioned any difficulties with being taken seriously as a woman business owner abroad; however, a number of women face gender and other biases in their local market. As well, in certain service industries, women are finding increasing competition from domestic government agencies who are trying to expand their revenue base in Canada. Overall, women report that they are pleasantly surprised at their successes abroad, despite challenges in accessing the right contacts.

“ I am not sure if this is unique to the East coast, but I can tell you from my experience we are harder on ourselves than we are on others. I find it much easier to do business in the U.S. where they do not have stereotypical views of what it is to be a Newfoundlander. ”

7. Women rely on internal financing to support export growth

Women use primarily internal funds like retained earnings (87%) and credit cards (57%) to finance export market development activities. Only firms in business over five years (49%) and those with revenues over \$0.5 million use an operating line of credit against accounts receivable. Export development loans or grants are being used by women who also export goods (35%) and firms with revenues over \$1 million (40%).

8. Accessing external financing is very expensive ... in time

Given the repeated travel commitments of women service exporters and the fact that the major commodity of a service firm is time, women report having to spend an inordinate amount of time educating rotating account executives in order to secure the financial facilities. All too often, this educational process has to include not only the woman's business dynamics and those of her service industry, but also the general and unique dynamics of services exporting. Positive reports from women service exports are primarily from those making use of the facilities of U.S. banks, which are more willing to compete on interest rate and offer supplemental services like introductions to potential clients in the U.S.

“ This is my biggest pet peeve. I take the time, one most significant business commodity, to teach my banker about my business. Now, I don't mind the first time but inevitably within a few months, I am assigned a new banker and we are back to the drawing board and I have to teach them all over again. ”

9. Getting paid abroad is not a common problem

Although exporting publications and seminars usually dwell on the difficulties of getting paid abroad and the dangers of bad debts, none of the women interviewed reported difficulties. However, getting paid in a timely manner is a problem; and women report having had no mentors from whom to learn the techniques to manage the payment process. Women in most focus groups chose to spend a portion of the time exchanging techniques for getting mobilisation or milestone payments.

Women also raised the fact that sometimes they had difficulty requesting full fees (to cover their additional exporting costs) for fear that they would sound audacious. In some communities, women are working together to avoid undercutting each other's fee structure so that they can raise the bar and export at above breakeven.

“ I have never not been paid, but I'm often on the phone begging for payment after 90 days. I have learned to charge for my time upfront and have added milestones into my contracts to ensure that the payments come in at regular intervals. ”

10. Family responsibilities pose challenges for success abroad

While women recognised the need to travel for export market development as well as service delivery, they also typically have responsibilities for family maintenance and child care. A number of women chose to delay exporting until their children were older. In more established firms, 23 percent of the women reported spending more than half their work time away from home overnight. Women exporting only services were twice as likely as those who also exported goods to be away from home overnight on business at least 50 percent of the time.

“ I feel like on Monday, when I step on the plane, I turn into a business woman; and on Friday, when I step off the plane, I turn into a wife and mother. It is hard because on the way home from the airport I am having to stop by the grocery store to pick up food for the Sunday night dinner that I make to ensure that we have one night together as a family. ”

Tips from Women Exporting Services

1. Be realistic

- Be prepared to invest tremendous time and money in your export pursuits.
- Everything will take longer than you expect.
- Know what the market will pay for your services.

2. Stay focused and plan ahead

- Ask yourself what are you good at, and outsource the rest.
- Have a business plan...that is flexible!
- Know your competitors in the foreign market you are attempting to access.
- Establish a relationship with your personal banker. Provide her/him with business details to ensure that they are not surprised if and when you require assistance.
- Ask yourself what if and support yourself with the appropriate resources to respond effectively with a contingency plan.
- Don't take no for an answer.

3. Network relentlessly

- Get your name out there and ensure that you are on the right mailing lists.
- Tell people why they need to be assisting you.
- Forge alliances; work with partners already established in your target market.
- Make contacts by sitting on professional boards.

4. Engage with the global market

- Think globally. Evaluate your business from the perspective of a foreign client.
- Keep your eyes open - opportunities come in all shapes and sizes, and often when you least expect them.
- Use satisfied customers as an excellent source of referral.

5. Use the technology

- Use a website to support your client with information about your firm.
- Use e-mail and video-conferencing to cut down on trips abroad.

6. Invest in yourself

- Never underestimate the power and benefits inherent in nourishing yourself with training, information, and resources.
- Ask for advice. Learn from others' mistakes.
- Mentor, and be mentored by, both men and women.

Note: This study was conducted for the Foundation for Canadian Women Entrepreneurs by Service-Growth Consultants Inc., which is headquartered in Vancouver, BC, and headed by Dr. Dorothy Riddle. Service-Growth Consultants is an international management consulting firm that specialises in global services competitiveness, has had contracts in 44 countries, and earns 40 percent of revenues from export. For additional information on the study, please contact Dr. Riddle at DRiddle@compuserve.com.

