

# **Evaluation of the Women's Enterprise Initiative**

## *Final Report*

**Prepared for:**

Western Economic Diversification Canada

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October 20, 2004



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# Executive Summary

This document presents the findings and conclusions of an evaluation of the Women's Enterprise Initiative (WEI) Program of WD.

Each WD Region (Manitoba, Saskatchewan, Alberta and British Columbia) has established a WEI organization under this initiative. The provincial non-profit Women's Enterprise Initiative organizations are responsible for the administration and delivery of WEI services. The mandate of the WEI organizations is to encourage the establishment and growth of women-owned and controlled businesses, encourage self-employment and business development, and to promote economic equality between men and women. Support from WD enables the four provincial organizations to provide enhanced business services to women entrepreneurs, including:

- Business Advisory Services;
- Lending;
- Information Services and Referrals;
- Training and Skills Development;
- Networking; and
- Mentoring.

Each WEI organization receives an average of \$850,000 annually in operational funding from WD. Each also manages a \$5million 10-year loan fund established at the outset of the WE Initiative in 1994/95. This is a conditionally repayable fund.

## ***Objective of the Evaluation***

The overall objective of the evaluation was to assess the relevance, service delivery, results and performance monitoring of the WEI organizations.

## ***Methodology***

Interviews were held with WD staff responsible for the WEI organization files, WEI organization Executive Directors, Board Members and staff and other agencies that were familiar with the WEI organization in each province. Two focus groups attended by approximately 14 to 20 WEI organization clients were held in each province (the total number of focus group participants – 112). The key informant

interviews and the focus group sessions explored issues of relevance, service delivery, impact and results, reporting and cost-effectiveness. As an additional line of evidence, mini case study themes were selected through consultation with WD staff and were chosen based on implications for the future functioning and success of the WEI organizations. The four thematic areas examined in the case study material are:

- Mentoring
- Networking
- Technology
- Partnerships

### ***Evaluation Findings***

#### **Rationale**

- Women entrepreneurs continue to face barriers (e.g. access to capital) related to business start-up and growth;
- The Women’s Enterprise Initiative organizations provide gender sensitive and appropriate services for women entrepreneurs;
- Due to their gender specific orientation, the services provided by the WEI organizations are not duplicated by other members of the WCBSN network (i.e. CBSCs, CFDCs, FEDOs);
- The WEI organizations fill a particular niche for small loans and support services to women entrepreneurs in all areas of commerce, especially in retail and service enterprises;
- There is a need for Western Economic Diversification Canada to support the WEI organizations; and
- The objectives and activities of the WEI organizations are consistent with WD’s mandate.

#### **Service Delivery**

- The management modalities used by WD to manage the WEI files vary. WD staff have provided valuable facilitation to increase partnerships between the WEI organizations and other members of the WCBSN (CSBCs, FEDOs, CFDCs).
- The governance structure of the WEI organizations through Boards of Directors is appropriate;

- WD needs to ensure adequate monitoring of the WEI organizations to ensure appropriate levels of risk to WD;
- The WEI organizations utilize a variety of mechanisms that they consider to be effective to reach potential clients about the services offered by the WEI organizations. At the same time, there is a need for ongoing effort to effectively reach rural, immigrant and aboriginal potential clients.
- Focus group participants expressed high levels of satisfaction with the WEI organizations service delivery;
- Audited systems are in place in all WEI organizations to manage assets and to assess loan loss ratios/risk;
- Professional practices are in place to attempt to recover loans;
- If the present situation of low interest rates on loans continues, high loan loss ratios will lead to a continuous draw down on the existing loan funds; and
- At the present rate of loan disbursement, some of the WEI organizations will deplete their loan funds as early as 2006.

### **Results and Impacts**

- The WEI organizations occupy a specific niche for women entrepreneurs in filling service gaps for start-up support, loan size and sectors of women's entrepreneurial activity:
- Organizational effectiveness differed from region to region, due to factors such as organizational restructuring, currency of needs assessments, clarity of communication between head office and satellite offices, clarity of roles and responsibilities and organizational marketing methods;
- In addition to sharing procedures and tools, the WEI organizations network to share best practices and lessons learned at both the Executive Director and staff levels to enhance organizational effectiveness;
- Access to financing for women has been improved through referrals, partnerships with other organizations, providing joint loans, and additional client preparation;
- Clients are returning to WEI organizations for 2<sup>nd</sup>, 3<sup>rd</sup> and 4<sup>th</sup> loans – not only because they are familiar with the organization but also because they remain ineligible for bank loans in the services or retail sectors due to lack of collateral. This may prove to be an issue if additional new clients require

loans;

- The provision of services and the loan fund is considered successful due to reported economic impacts (*WD 2002*) of 9:1 i.e. \$22.4 million in loans resulting in approximately \$200 million of business. It was also reported that by March 31 2004, WEI organization services and loans leveraged an additional \$33.1 million in support for women entrepreneurs.

### **Reporting, Alternatives and Cost Effectiveness**

- There are significant shortcomings in the data available from WD that has been provided through the WEI organization quarterly reports. The data is incorrect and unreliable. It is not utilized on an ongoing basis to track WEI organization performance.
- WEI organizations would like to know the value of the information that they are asked to collect and how the information is actually utilized;
- Some of the WEI organizations indicated they would like to be able to collect results-based information (e.g. what has been the impact of their services/loans) but need the resources and appropriate measures to do so;
- The WEI organizations were considered to be cost-effective and produced significant results in relation to the WD investment;
- Alternatives for improving service delivery and impacts would focus on the further development of partnership strategies with WCBSN partners as well as other organizations to bring greater breadth to the provision of services; and
- Interviews with WD indicated a strong focus on partnership development to enhance WEI program delivery and increase effectiveness. Current reporting templates do not capture essential information about the types and important aspects of the WEI organizations existing partnerships with community, national and international organizations.

### **Recommendations**

1. **WD should assess its WEI organization payment process**, identify and remove bottlenecks that prevent timely payments to the WEI organizations. This should include identifying delays caused by proponents providing incomplete information, etc.

1. **WD should review its management of the WEI files** for consistency of approach and clarity of communications with the WEI organizations and implement the most effective approach to fulfilling its management and monitoring responsibilities. WD should communicate expectations to the WEI organizations with regard to loan loss ratios, non-performing loan ratios and expected loan volumes.
2. **Seek increased partnering opportunities between CFDCs and WEI organizations**, particularly for CFDC staff training specific to the needs of women entrepreneurs, to increase access to gender sensitive services by rural women in Western Canada.
3. **WEI loan funds should be replenished.** WD and the WEI organizations should discuss issues of loan limits, services to mature clients/immigrant/rural women and the future of the WEI organization loan funds and make decisions/devise strategies on these issues based on the best ways to meet the needs of women entrepreneurs in Western Canada.
4. **WD and the WEI organizations should assess current reporting requirements**, particularly success and trend indicators. If required, new mechanisms that allow the tracking of results/trends/issues should be designed to meet the needs of both groups.
5. **WD and the WEI organizations should discuss expectations for and means of measuring partnership development and maintenance.** The results of these discussions should be included in future Contribution Agreements if this is a specific performance requirement.
6. **Policies/guidelines concerning appropriate loan loss ratios should be developed** based on past experience of the WEI organizations with management of the loan fund and WD expectations.
7. **The WEI organizations should assess service gaps** that may be occurring due to current technical capabilities of staff, as well as service gaps related to potential client groups (e.g. rural women) and professional development needs (e.g. mentoring and networking).

8. **The WEI organizations should discuss differential funding requirements directly with WD staff.**
9. **To minimize organizational disruptions, succession plans maintained by the Board of each WEI organization should be in place for the future.**
10. **A competency-based personnel framework should be developed for each staff position** across the WEI organizations, to ensure standardization of hiring practices and staff competencies.
11. **The WEI organization methods of sharing best practices between the four regions has been effective and should be continued.**



## 1.0 Introduction

The purpose of this report is to provide an evaluation of the Women's Enterprise Initiative supported by Western Economic Diversification Canada. The Western Economic Diversification Canada (WD) is a federal government department that works to strengthen Western Canada's economy and to advance the interests of the West in Canada's national economic policy<sup>1</sup>. WD programs and services focus on three strategic directions, namely:

- Innovation,
- Entrepreneurship and
- Sustainable Communities

WD also supports the Western Canada Business Service Network, which provides over 100 points of service across Western Canada, including, in addition to the WEI offices: WD Officers, Canada Business Service Centres, Francophone Economic Development Organizations, and Community Futures Development Corporations.

In response to the identified need of women entrepreneurs, WD initiated the Women's Enterprise Initiative (WEI) in FY 1994/95. The objectives of the WEI initiative as stated in program documents are to:

- establish a resource for women's enterprise in each of the four Western Canadian provinces; and
- utilize the resources of the centres to assist in the expansion and diversification of the Western Canadian economy.

### *WEI Organizations*

Each WD Region (Manitoba, Saskatchewan, Alberta and British Columbia) has established a WEI organization under this initiative. The provincial non-profit Women's Enterprise Initiative organizations are responsible for the administration and delivery of WEI services. The mandate of the WEI organizations is to encourage the establishment and growth of women-owned and controlled businesses, encourage

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<sup>1</sup> Prime Minister's Task Force on Women Entrepreneurs, October 2003.

self-employment and business development, and to promote economic equality between men and women. This mandate is supported through<sup>2</sup>:

- introducing and promoting the concept of entrepreneurship to women;
- increasing the availability of capital to women-owned enterprises; and
- providing services to help women develop the experience, expertise, assets and credit track records enabling them to increase both the number and strength of women-owned businesses in Western Canada.

Each provincial organization is named and organized uniquely, to reflect the differing needs and client base of each province. The WEI initiative is implemented through the following four not-for-profit organizations:

- the Women's Enterprise Society of British Columbia (WESBC);
- Alberta Women Entrepreneurs (AWE – the legal name is Alberta Women Entrepreneurs Association);
- the Manitoba Women's Enterprise Centre (WEC); and
- the Women's Entrepreneurs of Saskatchewan (WES).

At the time of the evaluation, WESBC had offices in Kelowna (HQ) and Vancouver, AWE had offices in Calgary (HQ), Edmonton and Lethbridge, WEC had an office in Winnipeg and WES had offices in Saskatoon (HQ) and Regina. Due to the nature of provincial regulations concerning the establishment of not-for-profit organizations in Saskatchewan, WES is structured as a membership organization. Organization profiles as presented in the 2002 Women's Enterprise Initiative Impact Study can be found in **Appendix A**.

The WEI organizations are responsible for marketing efforts to promote small business, administering their organization and participating in Pan-Western activities<sup>3</sup>. Each provincial organization operates at arm's length from WD, but provides WD with regular financial and operational reviews. In rural areas, the Community Futures Development Corporations (also funded by WD) are encouraged to partner with the provincial WEI organizations to refer WEI services to local women residents.

The WEI organizations in each province are independent entities that have their own

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<sup>2</sup> 2000 Contribution Agreement between the Government of Canada and the WEI organization

<sup>3</sup> Ibid

Boards of Directors with broad representation from their respective provinces. An Executive Director is responsible for administrative and operational duties of each provincial WEI organization. The Executive Director reports to the Board of Directors, which oversees the policy and direction of the organization. Board members are knowledgeable about business and the challenges that women face as entrepreneurs.

### *Resources*

The WE Initiative has been in existence for what will be ten years on March 31, 2005. Each WEI organization receives an average of \$850,000 operational funding annually and each has also received \$5million in loan funds to flow over the ten year period between April 1995 and March 2005. This is a conditionally repayable fund. The current round of Contribution Agreements expires at the end of FY 2004/2005.

### *WEI Organization Services*

Each provincial organization is responsible for its own approach to the delivery of services in order to best meet the needs of its particular economic and demographic client base. Support from WD enables the four provincial organizations to provide enhanced business services to women entrepreneurs, including<sup>4</sup>:

- Business Advisory Services;
- Lending;
- Information Services and Referrals;
- Training and Skills Development;
- Networking; and
- Mentoring.

The Loan Fund program is the lending window through which conditionally repayable loans are disbursed to each province (for a total of \$20 million over ten years) to be used as a capital base for offering loans to qualifying women entrepreneurs. The Loan Fund has somewhat unique characteristics in each province, but the common link is to be a lender to women entrepreneurs. The provincial organizations have developed their own criteria for risk evaluation of loan applications, which was approved at the outset of the WEI by WD prior to release of

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<sup>4</sup> 2000 Contribution Agreement between the Government of Canada and the WEI organization

funds to each provincial organization<sup>5</sup>.

Any new or expanding business located in one of the four participating provinces is eligible for WEI loan funds. Eligibility requirements (i.e. definition of woman owned and other criteria) are determined by each WEI organization. For example, in some provinces the business must also be the applicant's main source of income. Loans obtained through the WEI program may be used to leverage funds from other financial institutions.

The four provincial WEI organizations are to partner with a wide range of organizations and government agencies to offer a maximum range of services to their client base. WEI organization partners include community groups, educational institutions, traditional financial institutions, business and women's business association, CFDCs, CBSCs, FEDOS and other entrepreneurship programs operating in the local areas.

## 1.1 Women's Entrepreneurship in Canada

The significance of the contribution of Canadian women entrepreneurs to the Canadian economy was first recognized in 1996 in the groundbreaking study *Myths and Realities: The Economic Power of Women-Led Firms in Canada*<sup>6</sup>. The research revealed that at that time there were over 700,000 women-led firms in Canada, providing 1.7 million jobs. It also revealed that the number of women-led firms was increasing at twice the national average. Along with the launch of *Myths and Realities*, other significant events throughout the 1990s raised the profile of women entrepreneurs and increased government recognition that women entrepreneurs faced gender-specific barriers in starting and growing their businesses.

The trend towards the rapid growth of self-employment in Canada is continuing, with self employment having grown faster in the past 25 years than paid employment<sup>7</sup>. For women, since 1976, the average annual growth rate of self-employment has been 5.3%, compared with 2.2% for men<sup>8</sup>, meaning that women entered into self-employment twice as fast as men during the same period. This ratio increased even

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<sup>5</sup> 1998 WEI Evaluation Report

<sup>6</sup> *Myths and Realities*. Bank of Montreal Institute for Small Business. December 1996

<sup>7</sup> *ibid*

<sup>8</sup> *ibid*

further recently with the number of women entrepreneurs growing by 8% between 1996 and 2001, compared with a 0.6% increase for men<sup>9</sup>.

Overall, between 1981 and 2001, the number of women entrepreneurs in Canada actually increased 208%, compared with a 38% increase for men<sup>10</sup>. By 2002, one-third of self-employed Canadians were women<sup>11</sup> and women in Canada now make up a larger share of the self-employed than in any other country<sup>12</sup>.

The research also shows that women tend to own firms in slower growth and higher risk sectors, such as retail and service, in which access to financing is known to be more challenging for businesses to obtain<sup>13</sup>. At the same time, women are not restricted to these traditional areas and are increasingly moving into other sectors of enterprise. For example, in 2000, women held at least 50% ownership in 31% of knowledge-based industry firms and 31% of manufacturing firms<sup>14</sup>.

In 1998, Canadian women owned approximately 35% of Canada's Small and Medium Sized Enterprises (SMEs). As of 2000, this figure had increased to 45%<sup>15</sup>. By 2002, there were more than 821,000 women entrepreneurs in Canada<sup>16</sup> who contribute in excess of \$18.109 billion to the Canadian economy every year<sup>17</sup>.

Due to its historic importance as well as its relevance for the subject of this evaluation, the following section outlines in brief the mandate and findings of the Prime Minister's Task Force on Women Entrepreneurs. Another important recent study – *Best Practices for Women Entrepreneurs in Canada, May 2004* - is also referenced in the following section as background to the evaluation.

### **1.1.1 The Prime Minister's Task Force on Women Entrepreneurs 2003**

In recognition of the growing impact of women entrepreneurs in Canada, the Prime

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<sup>9</sup> 1981-2001 Census of Canada, Statistics Canada

<sup>10</sup> Presentation by Statistics Canada, op.cit

<sup>11</sup> ibid.

<sup>12</sup> Organization for Economic Cooperation in Development (OECD), 2000.

<sup>13</sup> Prime Minister's Task Force on Women Entrepreneurs. 2003. Pg. 26

<sup>14</sup> Statistics Canada op.cit.

<sup>15</sup> Presentation by Industry Canada to the Prime Minister's Task Force on Women Entrepreneurs. December 13, 2002

<sup>16</sup> Statistics Canada, 2002

<sup>17</sup> Presentation by Statistics Canada to the Task Force, May 6, 2003

Minister established the first ever Task Force on Women Entrepreneurs in 2002. This initiative included public and online consultations with all stakeholders across the country, including women entrepreneurs, associations, government agencies and departments at all levels, financial institutions and members of Parliament.

The mandate of the Task Force was to:

- Examine the unique challenges faced by women-owned businesses by considering the factors required to encourage women’s entrepreneurship, assessing existing resources, identifying gaps and areas for possible future action, and evaluating best international practices and their appropriateness to the Canadian context; and
- Provide advice to the federal government on broad policy issues in women’s entrepreneurship, both domestic and international and to make suggestions for specific initiatives that the government should consider, such as research and trade.

Barriers and challenges still exist for women in starting or growing a business<sup>18</sup>. While not every woman entrepreneur experiences all, or perhaps any, of these barriers or challenges, so long as they do exist, the Task Force report stated that Canadian public policy must reflect and address them.

The Task Force focused on three premises in carrying out its mandate:

- Women entrepreneurs are the fastest-growing sector in our economy;
- Women entrepreneurs face unique challenges and barriers to success; and
- Facilitating the growth of women’s entrepreneurship is integral to Canada’s small business strategy.

The Task Force made 77 specific recommendations to the Canadian public sector, intended to reflect the necessity of giving greater focus to women entrepreneurs as an important component of Canada’s economic development. The recommendations also identified necessary changes as to how women entrepreneurs are treated in order to maximize their economic potential. The Task Force recommendations identified a need for:

- Increased access to capital, information and government programs;
- More in-depth research on all economic aspects relating to women

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<sup>18</sup> 1. FOREWORD pg. 2

entrepreneurs;

- Increased access to government procurement;
- Increased access social safety net programs, including childcare and maternity/paternity benefits;
- More mentoring programs, networking opportunities, and business skills training;
- Increased promotion of women entrepreneurs and entrepreneurship, both nationally and internationally;
- Policy and program supports to encourage women entrepreneurs to export and to train them to be “export ready”;
- Canada to actively participate in international fora to promote women entrepreneurs, such as the OECD;
- A voice and a “one-stop shopping” portal for women entrepreneurs;
- A re-evaluation of the service sector; and,
- The annunciation of a new vision and appreciation of self-employment.

The Task Force report stated that there is still a huge need for support services and programs specifically geared to women entrepreneurs. The federal government was identified as playing an essential role in ensuring that the needs of women entrepreneurs are addressed, without which a significant segment of the Canadian economy will be left underdeveloped. It quoted data from the OECD and the World Bank confirming that countries with an active women’s entrepreneurial community enjoy a higher standard of living and are better places to live.

A specific recommendation of relevance to this evaluation was that the Federal government should establish Women’s Business Centres throughout Canada modeled on the Women’s Enterprise Initiative centres supported by Western Economic Diversification Canada. These centres should build on and partner with existing resources. The report also recommended that the federal government should ensure that the Women’s Enterprise Initiative centres (through Western Economic Diversification Canada) are maintained and provided with long-term support. Special attention must also be given to ensure access to financing and services is available to Aboriginal women.

#### ***1.1.1.1 Response to the Task Force***

On October 29, 2003, The Right Honourable Jean Chrétien, Prime Minister of Canada, received and applauded the report from the Prime Minister's Task Force on Women Entrepreneurs and thanked the members of the Task Force for their commitment and dedication. The Prime Minister pledged an immediate response to the following areas of concern highlighted in the report<sup>19</sup>.

- The federal government will extend the Women's Enterprise Initiative funded by Western Economic Diversification Canada.
- The federal government will commit to multi-year funding for the Women in Business Initiative in Atlantic Canada.
- The federal government will create two new Women Enterprise Centres in Ontario and Quebec. The federal government will instruct Industry Canada to work with women entrepreneurs on the issue of micro lending in these centres.
- The federal government will organize a national Women's Economic Forum to extend the work of the Task Force.
- The federal government will also, for the first time, create a Canadian Women's Innovation Award. As part of the Canadian Woman Entrepreneur of the Year Awards, this new Innovation Award will help raise the profile of women entrepreneurs and encourage young women to guide their own careers.
- The federal government will expand its research and publications program to better meet the needs of women entrepreneurs and the federal government will ensure that this program provides policymakers with information about emerging issues.
- The federal government will be raising entrepreneurship in future federal-provincial and territorial meetings so that all levels of government are aware of the concerns of women entrepreneurs.
- The federal government will continue its focus on Aboriginal women entrepreneurs to identify their needs. The government will be developing a business planning guide to help Aboriginal women break into new markets.
- The Prime Minister will ask the National Aboriginal Economic Development Board to examine the situation that Aboriginal women face in the field of entrepreneurship.
- To provide Canadian women entrepreneurs with opportunities to expand their markets beyond our borders, the federal government will ensure that women entrepreneurs continue to be represented in Canada's trade promotion activities and on trade missions.

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<sup>19</sup> Government of Canada Press Release, November 4, 2003



In addition, the Contracts Canada seminar program for small businesses managed by PWGSC has established a seminar program especially aimed at women entrepreneurs designed to enhance their knowledge about, and ability to access, federal procurement opportunities.

Amongst the measures contained in Budget 2004, delivered on March 23, 2004 were several recommendations from the Prime Minister's Task Force on Women entrepreneurs<sup>20</sup>. For example, Budget 2004 pledged an additional \$150 million over the next two years to accelerate implementation of the Multilateral Framework on Early Learning and Child Care. This commitment is virtually identical to Recommendation 4.04 of the Task Force and will provide up to 48,000 new child care spaces. In the area of support for small businesses, the government introduced a number of measures, such as an increase of \$270 million of venture capital through the Business Development Bank and the Farm Credit Corporation, increasing small business access to R&D tax credits, easing tax rules for start-up businesses, and expanding accessibility to government tendering for smaller enterprises, and bolstering the usefulness and reach of Community Futures organizations and other instruments of regional development and diversification. These measures closely mirror Task Force recommendations in Sections 1, 3, 5, 8 and 9 of the Task Force report.

### **1.1.2 Best Practices for Women Entrepreneurs in Canada<sup>21</sup>**

In May of 2004, the Foundation of Canadian Women Entrepreneurs in partnership with the Business Development Bank of Canada released a report on the *Best Practices for Women Entrepreneurs in Canada*. This report is an update of an earlier report tabled at the 2000 OECD meeting on women entrepreneurs. It highlights best practices from the public, private, non-profit and academic sectors for programs designed to support the establishment and growth of women-owned businesses in Canada.

*Best Practices for Women Entrepreneurs in Canada, May 2004<sup>22</sup>*, states that although women's SME's offer a diverse range of goods and services, they still share many

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<sup>20</sup> Government of Canada Press Release April 30, 2004

<sup>21</sup> Foundation of Canadian Women Entrepreneurs/BDC and Kartini International Consulting Inc. May 2004

<sup>22</sup> Ibid.

common characteristics in terms of their business approaches, strategies and operations that are gender-based in nature. From this perspective, there are two ways to approach support for women-owned businesses:

- 1) Integrate them in the more general sectoral approaches that already exist. These tend to be organized around the strategies and approach more commonly found in men's enterprises; or
- 2) Treat women's enterprises as a distinct economic cluster that has its own characteristics and patterns of economic growth that need to be taken into account to maximize their contribution to the national economy.

Research shows that the gender specific characteristics exhibited by women's SMEs as an economic cluster include the following<sup>23</sup>. Women entrepreneurs:

- Have a strong commitment to their local community, particularly in terms of sourcing and employment;
- Perceive themselves to be at the centre of their business organization with teams and working groups emanating from that central position, rather than develop rigid hierarchical structures in which they are positioned at the top;
- Have a strong commitment to a vision that encompasses their private and business lives. This means that they constantly strive to develop sustainable business with manageable growth rather than aiming for immediate high growth and overtrading;
- Focus upon the personal relationship aspects of business contacts, which supports long-term ambitions, (which include high turnover and profitability);
- Develop contacts through active networking, which they perceive as a rich business resource; and,
- Grow their business through a range of relationship alliances that frequently enable the creation of more businesses and trade. This results in the slower growth of women-run businesses, as measured traditionally by increased number of employees, but it also generally fosters much more sustainable growth<sup>24</sup>.

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<sup>23</sup> Ibid.

<sup>24</sup> Elizabeth Muir. "Thinking Outside the Box". Cited in Trade Matters, Best Practices & Success Stories, Commonwealth Secretariat. 2002. London; Commonwealth Secretariat.

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Other key factors<sup>25</sup> that define women’s enterprises as an economic cluster include:

- Women still face a degree of gender discrimination in the business community that goes beyond the traditional challenges facing all SMEs in terms of gaining access to credit, information, training, markets and technology;
- Women’s dual role as business owners and as the primary family caregiver means that they generally have less time to devote to training and related activities needed to maintain the competitiveness of their businesses; and,
- Women whose businesses are at the relatively early stages of development generally respond best to receiving advice and mentoring from other women entrepreneurs.

Research conducted for the report on *Best Practices for Women Entrepreneurs in Canada* found that banks continue to assess risk primarily on the basis of whether or not the potential borrower has assets that can be used to provide collateral for loans as well as on an assessment of past credit behaviour. Figures indicated that Canadian women still have significantly fewer assets than men and depending on whether they have withdrawn from the labour force to attend to other family matters, including working without wages in a family business, their lack of a recent borrowing record can also lead to a negative assessment of their ability to repay a business loan. The report stated that many women therefore use expensive forms of credit (such as credit cards) to start and support their businesses.

## 1.2 Previous Evaluation Studies of the WE Initiative

### *Evaluation Study of the Women’s Enterprise Initiative*

In 1998, the first evaluation of the WEI organizations was conducted for WD. The objective of this evaluation conducted in 1998 was to “develop the means to measure

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<sup>25</sup> Best Practices for Women Entrepreneurs in Canada May 2004

the relevance, impact, success and cost-effectiveness of this initiative and where changes can be made, if necessary, to meet the needs of the women's enterprise centres and to comply with the strategic objectives of the department"<sup>26</sup>. The study recommended that the initiative be continued as well as recommending a list of actions to increase program service and systems efficiencies. These recommendations were reviewed by WD and an Action Plan put in place to implement agreed upon recommendations. Relevant information from this report has been referred to in this current evaluation.

### *2002 Impact Study Findings*

The measurement of cost effectiveness and economic spin-off benefits of the WEI was not within the scope of the 1998 Evaluation Study referenced above. To address these questions, the WEI organizations contracted an independent consultant to assess the impact of the WEI. In 2002 an analysis of the impact of the Women's Enterprise Initiative was completed<sup>27</sup>. This study was based on a large-scale telephone survey of WEI advisory services and loans clients, as well as in-depth structured telephone interviews with WEI management and on-site visits and consultations with senior WEI staff regarding WEI service delivery. The subsequent report – *An Analysis of the Impact of the Women's Enterprise Initiative* – contained the following key findings:

- The WEI addresses an important, and rapidly growing, clientele;
- The WEI addresses the experience gap faced by women-owned businesses by providing financial and intellectual resources to growth-oriented business owners;
- WEI lending activity generates approximately 1.5 jobs per loan (this compares favourably, in terms of jobs per dollar of loan, with job creation/retention rates with more restrictive Small Business Loans Act / Canada Small Business Financing Act);
- WEI advisory services directly contribute to business development and job formation and retention; and
- Most WEI clients report relatively strong perceptions of service quality, and almost 80 percent of clients reported they would use WEI services again.

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<sup>26</sup> Evaluation Study

<sup>27</sup> *An Analysis of the Impact of the Women's Enterprise Initiative*. Equinox Management Consultants Ltd. 2002

According to the *2002 Impact Study*, the five most frequently-cited (80.1 percent) reasons<sup>28</sup> for originally contacting the WEI organization included:

- assistance with business start-up (21.7 percent),
- obtaining education materials and information (19.1 percent),
- financing (16.0 percent),
- assistance in preparing a business plan (8.0 percent), and
- business development advice (6.9 percent).

The service quality ratings available from the *2002 Impact Study* indicate strong positive views of the WEI organizations service delivery, with three out of four clients agreeing that they had found the services useful and would use WEI organization services again.

#### *Review of Documents*

Overall, the report on *Best Practices* stated that obtaining financing remains a serious challenge for many women entrepreneurs in Canada. This was also borne out by the *2002 Impact Study*: “It is interesting that “obtaining financing” is perceived to be a primary barrier to growth. The extent to which gender plays a role in commercial lending decisions has been studied and debated.”

The review of documents for the evaluation noted that circumstances related to women entrepreneurs within traditional financial institutions are beginning to change: some Canadian banks and financial institutions have developed and are developing gender specific programs by setting up special equity and loan funds for women entrepreneurs that make it somewhat easier for the women entrepreneurs to obtain credit.

Others have also established training protocols for their staff to sensitize them to the needs of women clients and potential clients. There is increasing information on financial institution websites aimed at helping to educate women in how to apply for loans and deal with banks. A specific example is the The Business Development Bank of Canada, in response to the Prime Minister’s Task Force, has implemented programs with a women-centred focus, but based more along the lines of traditional financial institution lending requirements. Loans for women exporters start at \$250,000.

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<sup>28</sup> 2002 Impact Study

## 1.3 Program Performance

**Tables 1** on the following page shows the reported performance of the Women's Enterprise Initiative from April 1, 1999 to March 31, 2004. This information was provided by WD in August 2004 and represents data provided to WD in the WEI organizations' quarterly reports. Analysis of the Program Performance data is incorporated into **Section 3.0 Evaluation Findings**.

A few observations concerning the difficulties of utilizing this data as presented are noted here: for example, Manitoba and Saskatchewan report a greater # of loans accepted than were approved, resulting in Pan West totals reflecting the same information. Why this is the case is not clear. Also – the total \$s leveraged for the WE Initiative differs from the sum of the \$s leveraged (no WEI \$s) and the \$s leveraged (with WEI \$s) by about \$300,000. These two illustrations point to issues concerning the recording and reporting of WEI figures. For purpose of analysis in this report, the statistics as supplied have been utilized where possible as indicative of program activity.

**Table 1: WEI Program Performance**

<b>WEI Program Performance - April 1 1999-March 31 2004</b>					
	<b>MB</b>	<b>SK</b>	<b>AB</b>	<b>BC</b>	<b>Pan West</b>
<b>BUSINESS SERVICES</b>					<b>Total</b>
total # client contacts*	70,486	19,938	106,919	28,368	225,711
total \$ leveraged*	8,646,218	9,310,692	5,480,660	9,654,833	33,092,403
<b>Business Advisory Services</b>					
# of clients receiving business advisory services*	1,912	2,715	4,083	5,209	13,919
# of business advisory appointments	7,989	13,741	15,821	17,964	55,515
\$ leveraged (no WEI \$'s)*	1,460,900	2,951,864	3,426,706	1,472,800	9,312,270
<b>Lending</b>					
# of applications received*	259	166	565	577	1,567
# of loans approved*	112	150	284	333	875
# of loans accepted	193	249	263	293	998
\$ value of loans approved and accepted	6,194,642	8,106,515	6,507,228	6,430,967	27,239,352
# of new business starts*	40	60	119	127	346
# of purchases existing businesses*	5	30	1	28	64
# of business expansions*	52	55	98	98	303
\$ leveraged from other sources (with WEI \$'s)	7,444,818	6,430,653	2,041,800	8,182,033	24,099,304
# of jobs created/maintained	557	508	635	688	2,388
\$ loans in default	N/A	N/A	N/A	N/A	N/A
\$ loans written off	76,621	500,472	638,335	1,516,953	2,732,381
<b>TRAINING AND SKILLS DEVELOPMENT</b>					
total # participants receiving training services	11,934	11,673	17,086	7,588	48,281
# seminars and workshops	874	1,116	1,335	897	4,222
<b>Mentoring</b>					
# of participants*	131	112	178	77	498
<b>Information Services</b>					
# of inquiries for business information	83,140	19,579	88,144	24,192	215,055
# web site hits/inquiries*	20,924	90,086	127,500	234,190	472,700
<b>MARKETING/VISIBILITY</b>					
# of events sponsored/hosted*	47	61	53	30	191
# of events attended*	257	144	491	118	1,010
# media mentions (paid and unpaid)*	1,590	529	2,067	4,141	8,327
# speaking engagements*	94	55	274	65	488
# of trade shows (with booth or sponsorship)*	22	56	108	36	222
# of publications produced*	39	39	41	86	205

\* Statistics measured beginning April 1, 2001.

<b>WE Initiative April 1, 1999 to March 31, 2004</b>	<b># of loans</b>	<b>\$ value</b>	<b>jobs created/maintained</b>
<b>AB</b>	<b>263</b>	<b>6.5 mill</b>	<b>635</b>
<b>BC</b>	<b>293</b>	<b>6.4 mill</b>	<b>688</b>
<b>MB</b>	<b>193</b>	<b>6.2 mill</b>	<b>557</b>
<b>SK</b>	<b>249</b>	<b>8.1 mill</b>	<b>508</b>
<b>Pan West Totals</b>	<b>998</b>	<b>27.2 mill</b>	<b>2388</b>

## 2.0 Evaluation Design

### 2.1 Scope and Objectives

The overall objective of this evaluation was to assess the relevance, service delivery, results and effectiveness of reporting and performance monitoring of the WEI organizations. In order to best utilize consultant resources, during the data collection for the WEI evaluation, a few questions were also asked with appropriate key informants to gather information for the evaluations of the WCBSN (Western Canada Business Service Network), CEDO (Community Economic Development Opportunity) and CEDIP (Community Economic Development Internship Program) that were being conducted at the same time. The perspectives given by the WEI respondents pertaining to these evaluations are found in the individual evaluation reports.

The scope of this current evaluation focused on the perspectives of key stakeholders and clients currently involved with the WEI organizations. Key stakeholders included WD personnel, Executive Directors and Board members of WEI organizations and other relevant provincial agencies/organizations.

### 2.2 Evaluation Issues and Questions

The following matrix (**Table 2**) identifies the evaluation issues, questions and data sources that formed the basis for the evaluation. The findings of the evaluation will be presented under these headings. The evaluation issues and questions were approved by the Evaluation Steering Committee prior to the start of the evaluation research.

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**Table 2: Matrix of Evaluation Issues, Questions and Data Sources**



<b>Evaluation Issues and Questions</b>	<b>Data Sources</b>			
	<b>Document review</b>	<b>KI interview</b>	<b>Focus Groups</b>	<b>Case studies</b>
<b>Relevance</b>				
Is there a need for the Women’s Enterprise Initiative?		[	[	[
Are the objectives and activities of the WEI organizations consistent with WD’s mandate?	[	[		[
<b>Service Delivery of WEI Organizations</b>				
Is the governance structure of the WEI organizations appropriate?	[	[		[
Is the WEI appropriately managed by WD?		[		
Are the WEI organizations well marketed? Are they well known?	[	[	[	[
Are WEI organizations clients satisfied with the services provided by the WEI organizations?		[	[	[
Are WEI organizations capital assets properly managed? Are the loan loss rates at an appropriate level?	[	[	[	[
Are the WEI organizations loan recovery practices appropriate?		[	[	
<b>Results and impacts</b>				
Do WEI organizations help identify and fill service gaps facing women entrepreneurs?	[	[	[	[
Are WEI organizations effective in providing services i.e. small business information; referrals to government programs; information sessions, workshops and exhibits to strengthen the skills of women entrepreneurs and to allow them to explore business opportunities; and business management skill development, including marketing and bookkeeping? Do these services result in more effective businesses?		[	[	[
Do WEI organizations help improve access to financing, business counseling, mentoring, networking and loan aftercare?	[	[	[	[
Are WEI organizations delivering an appropriate amount of loans to women entrepreneurs? Are they increasing the availability of loans to women entrepreneurs?	[	[	[	[
Are WEI organizations effective in supporting entrepreneurs to decrease the risk-level of loans?	[	[	[	[

<b>Evaluation Issues and Questions</b>	<b>Data Sources</b>			
	<b>Document review</b>	<b>KI interview</b>	<b>Focus Groups</b>	<b>Case studies</b>
What are the economic impacts of the WEI organizations on women entrepreneurs, the communities, and western Canada’s economy overall? (E.g., businesses created, jobs created, etc.)	[	[	[	[
Are the WEI organizations’ network activities resulting in more effective businesses?		[	[	[
<b>Reporting</b>				
Are the WEI organizations reports allow WD to monitor the performance of WD’s investment in WEI organizations?	[	[		
Are the deliverables/reports/information prepared relevant to WD’s needs? Do the WEI organizations have systems to measure their performance?	[	[		
<b>Cost-Effectiveness</b>				
Are WEI organizations cost effective? Are the results of WEI organizations significant considering WD’s investment?	[	[		
<b>Alternatives</b>				
Are there alternative models to be considered to improve service delivery and impacts of WEI organizations?	[	[	[	[

## 2.3 Approach and Methodology

The evaluation was designed to evaluate the overall WEI, rather than segment and critique the individual WEI organizations in each province. The evaluation relied on multiple sources of evidence that included key informant interviews, WEI organization client focus groups and thematic mini case studies.

Interviews were held with WD staff responsible for the WEI organization files, WEI organization Executive Directors, Board Members and staff and other agencies that were familiar with the WEI organization in each province. Two focus groups attended by approximately 14 to 20 WEI organization clients were held in each

province (the total number of focus group participants – 112). The key informant interviews and the focus group sessions explored issues of relevance, service delivery, impact and results, reporting and cost-effectiveness.

The focus groups were reflective of the client base served by the WEI organizations across the province. The groups were comprised of loans and services clients in the retail, services and manufacturing sectors and included:

- New business start-ups;
- Expansion oriented individuals;
- Non-growth oriented individuals;
- Individuals who had successfully obtained a loan (s) through the WEI organization; and
- Individuals who had not been successful in obtaining a loan through the WEI organization.

The groups were held in a neutral environment and the discussion was facilitated by a member of the consulting team. Discussions lasted approximately two hours and sessions were recorded by professional notetakers contracted for that purpose. The focus group perspectives provided an important source of information for the evaluation and were utilized in the place of a client survey. All the evaluation issues (relevance of the WEI, service delivery, results and success, cost-effectiveness and reporting) were covered during the focus group sessions. Although the focus group information is not as easily quantifiable as survey data, the analysis of the information provides a rich source of WEI organization clientele's personal experiences and insights as to the impacts of the WEI.

As an additional line of evidence, mini case study themes were selected through consultation with WD staff and were chosen based on implications for the future functioning and success of the WEI organizations. The four thematic areas examined in the case study material are:

- Mentoring
- Networking
- Technology
- Partnerships

The case study findings have been integrated within the broader analysis of the evaluation findings, and are presented as italicized text to highlight chosen themes.

## 3.0 Evaluation Findings

The section below presents the key findings according to the questions identified in the *Evaluation Issues and Questions Matrix* in **Section 2.2** above. Input from the WEI organizations concerning the Western Canada Business Service Network (WCBSN), the Francophone Economic Development Organizations (FEDO), the Community Economic Development Internship Program (CEDIP) and Community Economic Development Organization (CEDO) has been incorporated into those specific GGI evaluation reports.

### 3.1 Evaluation Issue - Relevance

#### **Evaluation Issue: Relevance**

This issue examined:

- *Is there a need for the Women's Enterprise Initiative?*
- *Are the objectives and activities of the WEI organizations consistent with WD's mandate?*

#### ***Findings***

Questions concerning the relevance, continuing need and the consistency with the WD mandate of the Women's Enterprise Initiative were addressed through the review of documents, interviews with key informants, focus group sessions and case study analysis. The evaluation found that:

- Women entrepreneurs continue to face barriers (e.g. access to capital) related to business start-up and growth;
- The Women's Enterprise Initiative organizations provide gender sensitive and appropriate services for women entrepreneurs;
- Due to their gender specific orientation, the services provided by the WEI organizations are not duplicated by other members of the WCBSN network (i.e. CBSCs, CFDCs, FEDOs);
- The WEI organizations fill a particular niche for small loans and support services to women entrepreneurs in all areas of commerce, especially in retail and service enterprises;

- There is a need for Western Economic Diversification Canada to support the WEI organizations; and
- The objectives and activities of the WEI organizations are consistent with WD's mandate.

### *Relevance of the Women's Enterprise Initiatives*

From the document review, as discussed in **Section 1.0**, current research indicates that women entrepreneurs continue to face gender specific barriers for start-up and growth stages of their businesses. The *Prime Minister's Task Force on Women Entrepreneurs* found that these barriers inhibit the full economic growth potential of this segment of Canadian society. The evaluation found that the Women's Enterprise Initiative represents an important policy response and key program in the provision of services to women entrepreneurs in Western Canada.

The evaluation determined from interviews with WD staff, focus group participants and information supplied by other organizations that there is a demand for WEI Program services, including lending. WEI organizations have reported that since April 1, 2001, approximately 14,000 clients have received business advisory services, with approximately 48,000 participating in training services since 1999 (See **Section 3.4** concerning data reliability). The focus group participants provided evidence that the demand for services is linked to unmet needs by stating that without access to the WEI organizations services and loan funds, many women entrepreneurs would not currently be in business.

### *WEI Organization Niche Within the WCBSN*

The evaluation found that the WEI organizations differ significantly from other WCBSN members i.e. CBSCs, CFDCs and FEDOs. Interview information indicated that the WEI organizations are centred around gender appropriate programs and approaches, with the express purpose of providing conducive environments for women entrepreneurs.

- CBSCs

The evaluation found that the relationship between the CBSCs and the WEI organizations is complementary with each providing distinct services to women entrepreneurs. The CBSCs play a role as a research resource utilized by WEI

clients for the development of their business plans, but do not offer the business advisory services and loan funds. In increasing instances, CBSCs and WEI organizations collaborate on delivering training that includes WEI clients. This training would be available in the absence of the WEIs, but may not be as accessible or attractive to WEI clients without the link to the WEI organization.

- CFDCs

The evaluation also found that the services provided by CFDCs and the WEI organizations are distinct, primarily because of the gender centred sensitivity and approach of the WEI organizations. The services of CFDCs are available to women entrepreneurs, but many women choose to utilize the WEI organizations services and lending programs. This is in line with research findings that indicate that women prefer to deal with women. The WEI organizations provide targeted support to a widespread geographic constituency (women entrepreneurs), whereas the CFDCs have broader mandates applied to the geographic areas in which they operate.

One of the concerns expressed by interview respondents about utilizing CFDCs instead of the WEI organization was that rural women may find themselves linked to the financial circumstances of their spouse or partner due to high levels of local knowledge within the CFDCs. This is a common complaint from rural areas, but based on research indicating the women's credit histories are for the most part less developed than their male counterparts, the evaluation determined that women should be free to choose when approaching any organization of the WCBSN. Assumptions based on family financial histories may act as barriers to women wishing to develop their own businesses.

- FEDOs

The evaluation found that the WEI organizations do not overlap with the FEDOs due to the provision of services in French. For example, in Manitoba the FEDO and the WEI organization have worked together in support of Francophone women entrepreneurs.

- Financial Institutions

The evaluation found that the WEI organizations differ from financial institutions in the niche they serve: the predominant focus of the WEI organization loan funds is in the retail and services sectors, sectors generally not supported by traditional financial institutions. Another distinction is that the WEI organization lending programs have the ability to provide very small loans as well as larger loans up to \$100,000. WEI organization board members with bank experience reported that financial institutions generally rate small loans as not cost-effective in terms of the management time and systems required, and also generally do not provide loans due to higher risk factors in the sectors of interest to the majority of women entrepreneurs served by the WEI organizations.

*Potential for Duplication of Programs*

The evaluation sought to identify other provincial organizations occupying the same niche (i.e. services and loans targeted at women entrepreneurs) as that filled by the WEI organizations. In all the regions there are membership organizations that offer business information, networking opportunities and specific assistance in areas such as export through trade missions, etc to women entrepreneurs. In the case of B.C. it was reported by WD respondents that there are many of these organizations. At the same time, these organizations do not offer loans or the degree of start-up support provided by the WEI organizations. The evaluation found that even those organizations that do offer small loans for young entrepreneurs value the partnership with the WEI organization to “top up” loans that are considered insufficient for the business planned. Other organizations perceive WEI organizations to be complementary rather than duplicating their services.

*Support from WD to the WEI organizations*

WD funding to the four WEI organizations comprises their major source of financial support to the organizations. Some funds are found for small research projects, but operational funding through the Five Year Contribution Agreements continues to be the only sustaining funding received. The evaluation found that WD funding to the WEI organizations is necessary for the continued existence of the WE Initiative in Western Canada.

*Mandate of Western Economic Diversification*

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Western Economic Diversification Canada (WD) works to strengthen Western Canada's economy and advance the interests of the West in national economic policy. Its programs and services support three strategic directions:

- Innovation;
- Entrepreneurship; and
- Sustainable Communities.

The evaluation found that the WEI organizations' activities are consistent with the WD mission and mandate, with particular focus on entrepreneurship for the female segment of the population. Program Performance figures (See page 24) indicate that the WE Initiative has leveraged funds from other sources as well as created and maintained jobs, linking the initiative to increased economic sustainability. Program performance figures indicate that between April 1, 1999 and March 31, 2004, the WE Initiative has created or maintained over 2300 full time jobs in Western Canada.

The evaluation also found that the WEI organizations are pursuing innovative measures such as teleconferencing, entrepreneurship retreats, "quick response" initiatives and youth education activities to better serve their mandates and clientele. The WEI organizations are therefore considered by the evaluation to be relevant and useful for the achievement of the WD mandate.

### Summary

The WEI organizations support the mission and mandate of WD. The activities of the WEI organizations are also considered distinct from, but complementary to, the CBSCs, CFDCs, FEDOs, financial institutions and other provincial organizations. The WEI organizations have recognized the need to, and value in, pursuing partnerships and are actively doing so.

## 3.2 Evaluation Issue – Service Delivery

### Evaluation Issue: Service Delivery of WEI Organizations

This issue examined:

- *Is the WEI appropriately managed by WD?*
- *Is the governance structure of the WEI organizations appropriate?*
- *Are the WEI organizations well marketed? Are they well known?*
- *Are WEI organizations clients satisfied with the services provided by the WEI organizations?*



## Findings

The issue of service delivery was addressed through the review of documents, interviews with key informants and focus group sessions. The evaluation concluded that:

- The management modalities used by WD to manage the WEI files vary. WD staff have provided valuable facilitation to increase partnerships between the WEI organizations and other members of the WCBSN (CSBCs, FEDOs, CFDCs).
- The governance structure of the WEI organizations through Boards of Directors is appropriate;
- WD needs to ensure adequate monitoring of the WEI organizations to ensure appropriate levels of risk to WD;
- The WEI organizations utilize a variety of mechanisms that they consider to be effective to reach potential clients about the services offered by the WEI organizations. At the same time, there is a need for ongoing effort to effectively reach rural, immigrant and aboriginal potential clients.
- Focus group participants expressed high levels of satisfaction with the WEI organizations service delivery;
- Audited systems are in place in all WEI organizations to manage assets and to assess loan loss ratios/risk;
- Professional practices are in place to attempt to recover loans;
- If the present situation of low interest rates on loans continues, high loan loss ratios will lead to a continuous draw down on the existing loan funds; and
- At the present rate of loan disbursement, some of the WEI organizations

will deplete their loan funds as early as 2006.

*WD Management of the WEI Files*

WD manages the Women's Enterprise Initiative through staff assignment for the WEI organization file within the region. These files contain all reports submitted by the WEI organization. All WD representatives agreed that it was not the role of WD to actively manage the WEI organization, but the degree of involvement varies significantly. Some WEI file managers are very involved in activities of the organization, for example attending Board meetings as ex-officio members and providing support and information to office staff. Others appear to be totally non-involved and have very little knowledge of the substantive work that the organization undertakes or any of the issues that it faces. There are no guidelines outlining the level of involvement expected from WD staff handling the WEI files.

The evaluation found that it was difficult to assess the relative value of these differing styles, since each WEI organization was accustomed to the approach with which they are familiar. It can be said that increased involvement of WD staff assisted in facilitating partnership opportunities (i.e. meetings, luncheons, informal get-togethers) between WCBSN members, particularly in the case of the CFDCs, FEDOs and WEI organizations. Some WD representatives have taken a leadership role to bring Board Members and Executive Directors from members of the WCBSN together for networking/familiarization events. Other WD representatives have not undertaken this activity. It should be noted that office co-location also contributed to strengthened WCBSN partnerships in most cases.

In the course of the evaluation WEI organizations (WESBC, WES) stated that late payments of their Contribution Agreement allotments by WD places them in difficult circumstances, requiring at times draw-downs on their loan funds in order to pay operating expenses. This practice is considered risky, both from an auditing as well as a public accountability standpoint.

As stated in previous sections, the evaluation analyzed the Women's Enterprise Initiative as a discrete program, with no intention to compare the WEI organizations. The evaluation found no evidence to suggest that there should be differential levels of funding between the four WEI organizations. The 1998 WEI Evaluation made the following recommendation with regard to funding needs:

*That future program funding be based on the existing formula, but with additional funds available to be provided based on annual business planning for special projects or demonstrated client demand. This funding approach would allow a base level of funding to all provincial initiatives. It would also provide a 'special fund' to be allocated to provincial programs that have greater demand, or that develop unique initiatives with the opportunity for improved program effectiveness.*

### *WEI Organization Marketing*

The evaluation found through interviews with WEI organization staff and Board Members that the WEI organizations are very aware of the need to continuously increase their profile within their region, in order to attract new clients, meet the needs of their target groups and to continue to be considered relevant. Key informants indicated that WEI organizations receive referrals from financial institutions that are familiar with the organization. Focus group participants for the most part had heard of the WEI organization through word of mouth from friends, family or other agencies.

The evaluation research identified various mechanisms that the WEI organizations are using to market their organizations. These include:

- Sponsoring awards/speakers through other community entrepreneur oriented organizations such as the Chamber of Commerce and the Women's Business Network;
- Promoting activities in partnership with other WCBSN members (e.g. sponsoring community speakers in partnership with a CFDC, partnering with CBSCs to offer joint workshops/courses);
- Hiring a communications consultant to develop a communications strategy and program;
- Developing TV/radio spots and newspaper ads. WES is also showing longer infomercials highlighting the organization in more detail;
- Obtaining reciprocal memberships in other organizations (this applies to WES) and taking part in organizational activities to promote the WEI organization; and
- Partnering with educational institutions (secondary, tertiary) for class presentations about women and entrepreneurship as well as providing entrepreneurship training materials in some cases.

The WEI organizations reported that they considered these means to be effective, although they identified gaps in reaching potential client groups, particularly new immigrants and rural women.

#### *WEI Organization Reach*

- Rural women

Staff and representatives of the Boards of the WEI organizations identified a significant gap in the WEI organizations ability to serve rural women. The WEI organizations identified the high cost (primarily travel costs) associated with servicing this clientele as a significant barrier. While increasing use of web-based programming provides increased access for some, (see *Technology Case Study* which follows), WD staff, WEI organization representatives and focus group participants did not see technology as entirely meeting their business needs. It was reported that rural women as well as urban women desire personal contact and face to face meetings.

Technology may provide part of a solution, except that many rural areas continue to face technology access and connection speed issues. Attempts are continuing to serve this clientele more broadly, for example, through telephone consultations, internet offerings and partnering for community events. WEC has instituted a weekly outreach requirement for all staff, intended to lead to increased organization visibility within the community and programs in rural areas.

Partnerships may assist in improving service to rural women, and will require innovative approaches and positive collaboration. As indicated in **Section 3.1 *Relevance***, in some instances partnerships have been formed between the WEI organizations and CFDCs in their province. The development of a strategy focused on optimum means through which to provide services to rural women would serve the interests of both the WEIs and the CFDCs. This might include the delivery of gender sensitization workshops for CFDC staff.

- New immigrants

Women immigrants to Canada interested in starting or expanding a business are recognized by the WEI organizations as a target group for marketing information and services. Key informants identified cultural knowledge/sensitivities and

language requirements as the barriers to serving this group. As a result of information obtained during focus group session, the evaluation recommends that information about the WEI organizations be included in new immigrant arrival information packages and that the WEI organizations offer familiarization sessions to agencies serving new immigrants.

- **Aboriginal women entrepreneurs**

The issue of increasing WEI services to aboriginal female entrepreneurs was raised by key informants. They report a strong interest in working with this group, but recognize that there are specialized programs for Aboriginal entrepreneurs. There may be opportunities for WEI organizations to offer gender sensitivity training for aboriginal program staff who may potentially be involved with women entrepreneurs.

#### *Governance of the WEI organizations*

The evaluation found that the governance of the WEI organizations is appropriate, based on the current composition of the Boards of Directors. Key informant interviews with Board members, WD staff and WEI organization staff indicated that the Board members appropriately represented the interests of women entrepreneurs in the region, as well as those with lending institution/finance experience.

In line with appropriate governance, WD should maintain an adequate level of monitoring to ensure that no undue risks to WD occur from issues that may arise from WEI organization management.

#### *Service Delivery and Client Satisfaction*

These findings of the evaluation concerning service delivery and client satisfaction are consistent with the high levels of satisfaction with WEI organization services indicated in the *2002 Impact Study*. This is based on opinions received from focus group participants. Focus group sessions overall indicated a high level of satisfaction with the information, advice, training and start-up loans offered by the WEI organizations. A significant number of the focus group participants had used more than one WEI organization service, including additional loans.

In terms of alternative delivery mechanisms, technology options were also explored.

The following Technology Mini Case Study provides additional detail:

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### **Technology and the WEI First Virtual Conference**

*Using funding provided by WD to host the Annual WEI Conference in 2003, WESBC developed the Western Canada Training Centre and hosted the first “virtual” WEI organization conference. Over 100 women from across Canada participated in the online conference. The participants were able to discuss their business challenges with a professor from Royal Roads University in the discussion groups. WESBC has taken the lead in this initiative and is looking at additional ways to capitalize on its experience in this field.*

*The Western Canada Training Centre provides an example of the power of partnering and providing Pan-West services. The system was developed by and is maintained by WESBC. Supporting partners include: the Export Development Corporation (EDC), e-BC, Royal Roads University and WD. The Western Canada Training Centre provides “one stop” shopping for WEI training. Telephone Training and By the Book are also coordinated through the site, reducing duplication, as all registrations, etc. are handled through one location, providing service to clients in all four provinces. WESBC is also coordinating with B.C. Tech to offer courses through the site. EDC has contributed content for the on-line resource library that is updated weekly, with links to other service providers checked for currency.*

*WESBC currently manages all the content, with the administrator coordinating with the other WEI organizations to produce online training material and e-commerce offerings. It was reported that the financial management courses are the most popular, particularly because they are pre-requisites for loans through WESBC. Courses are supported by online discussion forums.*

*Potential benefits of online training and services include:*

- *Clients with access to Internet have 24/7 access to training material and services;*
- *Technology can reach clients in any location that has access to Internet, no longer requiring clients to show up at an office or having to travel great*

*distances;*

- *There is the potential to provide more equitable service to rural and distant communities in a cost effective manner;*
- *Clients from any location can access subject matter experts in online discussion groups;*
- *Clients from any location can network and exchange advice, challenges, solutions, support, etc.; and*
- *WEI organizations can collaborate on providing training material – this could be done with other WD partners as well in cases where training material is gender neutral.*

*While these potential benefits can occur, internet access is not available in most northern aboriginal communities and at present in many rural communities, it is often too slow to be practical. It will be important for all the partners involved (other WEI organizations and other WD partners) to consider ways to leverage the existing infrastructure in a way that allows a wider range of services to be extended to a wider range of clientele, particularly as access to broadband grows. The other partners will be required to support the lasting success of the Centre, through active contributions in terms of content development, discussion group participation, partnership development, etc.*

*The number of website hits/inquiries has been tracked since April 2001 and has been steadily growing. The WEI organization websites are important sources of information and reflect organizational advancements and service quality. Maintaining the websites with current information is essential as WEI clients continue to explore technology alternatives and improvements.*

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### *Service Gaps*

A significant number of expansion/growth clients in the focus groups indicated that they require a more sophisticated level of information to meet their needs, and do not know where to access this type of resource. This demand is verified by the Pan-West Program Performance figures which indicate that in the period between April 1999 and March 2004, 346 loans were made for new business start-ups, 303 loans were made to support business expansions, and 64 loans were provided to purchase existing businesses. Focus group participants expressed the opinion that they would like WEI organizations to provide business expansion type support, although WD

representatives consider that this level of information may in fact be available and that WEI clients should be referred elsewhere. An example cited was the increased offerings of the BDC to women entrepreneurs.

In response to growth/expansion client needs, initiatives are underway in some of the WEI organizations to provide a more “sophisticated” level of support to growth clients. AWE indicated that due to the in-depth knowledge of present staff concerning specialized resources within the banking system, they would be able to direct their growth clients appropriately. They also acknowledged that without personal knowledge, these resources would be difficult for clients to find. WEC through its “In Time” program is addressing this issue by providing funding and references for clients who needs specialized advice (e.g. legal, financial, property leasing, assets). Increased levels of partnerships with other agencies may also address some of the needs for more advanced support. This could include programs with existing WCBSN members such as the CBSCs, or other agencies such as the Business Development Bank.

### *Capital Asset Management*

The WEI organizations are high risk lenders, primarily because client collateral and other securities are not always a pre-requisite for lending. The evaluation found that the WEI organizations have instigated appropriate measures to properly manage their capital assets:

- All of the WEI organizations have annual financial audits performed to ensure appropriate asset management;
- The Board of Directors maintains control over lending policies and provides lending expertise and direction;
- The organizations have established loan procedures and due diligence processes. Examples of these are<sup>29</sup>:
  - Assistance with the development of a business plan through the involvement of a WEI organization business advisor;
  - Subsequent meetings between a potential client and a Loan Officer;
  - Credit check and property registration procedures are completed;
  - If required, proof of ownership, business registration, etc. are requested;

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<sup>29</sup> information provided WES



- Recommendations prepared by the Loan Officer for the appropriate level of WEI organization authority, including loan review committees;
- The client is advised of the decision. If approved, next steps are outlined regarding the preparation of legal documents, loan disbursement and collection of fees/costs;
- Client services such as business advising, accounting, training and mentoring are available to the client at all times; and
- Contact is maintained with the client by phone on a periodic basis. If resources permit, on site visit are completed.
- Loan aftercare procedures are in place; and
- Loan recovery practices are followed.

The WEI organizations through sharing of best practices have developed a risk assessment questionnaire. WESBC identified this as the “Self-adjusting Risk Index” (SARI), containing 70 questions developed in-house to assess client financial and managerial experience.

#### *Loan Aftercare and Loan Recovery Practices*

The evaluation determined that each WEI organization considers themselves responsible lenders using taxpayers’ money. They have instigated levels of loan aftercare and recovery practices to maintain their loan funds. Loan aftercare and recovery practices include:

- Negotiating extended loan repayment schedules or reducing payments for clients in trouble;
- On-going business counselling, analysis of cashflow and financial statements, assisting the client in finding a mentor or linking them with another woman who operates a similar business in a non-competing area.
- Assisting clients with difficulties in identifying professional resources (e.g. lawyers);
- Undertaking more drastic measures such as advising the credit bureau of the client’s circumstances; and
- Seizing assets, initiating auctions to recoup funds.

The evaluation determined that these loan recovery practices are appropriate.

#### *Loan loss ratios*

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The average loan loss ratios over the life of the WE initiative (starting for WEC in 1994) as reported by the auditors are approximately 9% except for WESBC where the average loan loss over the life of the WE Initiative currently stands at approximately 19%. WEI organizations state that as a high risk lender, their loan loss ratios are considered by their auditors and their Boards to be well within acceptable limits. The term “high risk lender” as indicated elsewhere in the report is applied because of the WEI organization policy of not requiring collateral when providing loans.

It was reported that the loan loss ratios are influenced by factors such as provincial economic upswings and downturns, WEI organization lending decisions and personal circumstances of the client (divorce, death, etc.). Loan loss ratios can also be misleading if not linked to the volume of loans in default, which are constantly changing as payments are received or missed. WEC reported that they incurred high loan losses in their early years due to one large loan that “went bad” although their recent loan loss figures are low. WESBC is currently conducting an analysis of loan losses to identify any patterns/trends and to identify lessons learned.

The evaluation considers that the loan loss ratios should be utilized to track lending issues rather than as static or comparative figures across WEI organizations. The important considerations in using these loan loss ratio figures are to:

- 1) ensure that loan funds are appropriately managed; and
- 2) ensure that WEI organizations continue to manage their staff effectively and efficiently.

In interviews, WD personnel did not indicate what loan loss limits were considered acceptable except to state that these ratios were considered to be important indicators of the success of the initiative. High loan loss ratios for WD implies that the WEI organizations are not appropriately managing the loan approval process. A policy or guidelines concerning acceptable loan/loss ratios should be developed by WD to clarify goals and objectives of the loan management activities for the WEI organizations.

#### *Depletion of Loan Funds*

Of particular interest for the sustainability of the WE Initiative, a projection provided by WES indicated that if the current low interest rates continue (the present interest

rates are not high enough to cover the loan loss ratios), and taking into account loan repayments at former higher rates, their loan capital will decrease to zero by 2008. AWE has stated that their loan fund will be depleted by 2006. This is confirmed by WESBC stating that this could happen earlier, depending on the loan fund disbursement rates. Without additional loan funds, the only money available for lending would be the monthly repayments received from then current outstanding loans.

This is an important finding of the evaluation and has obvious implications for the future of the WEI organizations. According to WD sources, the loan fund as established in 1994/95 was to revolve in perpetuity to be repaid at such time as it was no longer required. The expectation was that WEI loan loss rates would be 5% (or less) with loan fund earnings high enough not to erode the loan fund capital. WD anticipated that the WEI organizations could approach WD for continuing operating support or might develop other sources of revenue. The issue should be addressed through replenishment of funds in line with the statement of the Prime Minister in 2003. WD should also communicate its expectations concerning loan loss ratios, poorly performing loan ratios and expected loan volumes to the WEI organizations. Since this is a financial issue, further information on the specific operation of each loan fund can be obtained through proper channels from each of the WEI organizations.

One of the questions asked during the evaluation was whether the current level of WEI staff knowledge/experience in dealing with lending results is correlated with loan-loss rates. The evaluation found that there are a number of checks and balances in the decisions surrounding loan approvals: staff recommendations are generally reviewed by the Loans Manager who may also request input from the Executive Director/Board members/finance committees. For smaller loans (for example, loans under \$35,000 in the case of AWE), in some cases the Loans Manager has the authority to approve the loan. At the same time, the ability of the WEI organizations to attract senior professional staff is dependent on the salary scales offered, a large component of the operational funding received through WD.

#### *Acceptable Levels of Risk*

The due diligence process instituted by the WEI organizations assesses client risk in the following categories and factors (*derived from WES documents*):

- Management Skills
- Financial Plan
- Market Attractiveness
- Inventory/Assets
- Owner/entrepreneur Attributes
- Business Strengths
- Equity/Security

Another factor to take into consideration in the current operation of the WEI organizations' loan practices is that the organization benefits from engaging with former bank employees, either through their board representatives or as members of their staff. This provides an oversight function as well as the enforcement of good business practices for the most part. Supported by stringent and enforced loan recovery methods, the WEI organization clients are properly assessed to save them loss of property in the future. For example, the Program Performance figures (page 24) indicate that over 1500 applications were formally registered as received with 875 loans approved, illustrating the loan approval process in operation. These figures do not take into account WEI organization clients who, upon receiving additional training and business planning/counselling, decided to either resubmit at a future date or reconsider their business proposition.

At the same time, interview information indicates that there is a natural tendency to provide optimistic loans in good times, making these loans less viable should the regional economy take a downturn. This would be the case for every regional lender, and should be a component of the performance measurement and reporting analysis done by WD on a long term basis in order to track trends and lending issues.

#### *Loan Limits*

The evaluation found that there is a variance of opinion as to an increase in WEI organizations loan limits. WES, WEC and AWE are suggesting that the loan limits be raised to \$250,000 from the current \$100,000. The assumption is that the organizations would also ramp up their services to serve more established businesses, since the start-ups typically served by the WEI organizations do not require \$250,000 at the outset. The rationale for this is that the larger loans would fill the gap between the WEI limit and the new program the BDC is offering to women starting at \$250,000. Venture capital kicks in at funding levels generally ranging between

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\$250,000 and \$2million<sup>30</sup>. The opinion was expressed that as the Chartered banks are becoming more cautious in their lending, an increased limit would also provide an opportunity for more partnering with traditional lenders and other financial organizations.

WESBC stated during the interviews conducted for the evaluation that the loan limit should not be higher than \$125,000, given the other lending sources available and the risk to the organization that such high loan limits might incur. At the same time, WESBC believes there is a demand for larger loans particularly from clients in large urban centres where the costs of starting or expanding a business is higher, or in the case of manufacturing ventures where significant capital assets are required. In these cases, WESBC believes it would be helpful if the WEI organizations had some flexibility to address these needs. WD representatives expressed the opinion that \$125,000 is the appropriate limit, to mesh with the other WCBSN partners.

### **Summary**

WD through the Women’s Enterprise Initiative is the primary support of the WEI organizations. There are issues surrounding the management of the WEI files by WD in terms of timeliness of payments and consistency of management messages and approaches. The WEI organizations are making conscious efforts to publicly acknowledge the support received from WD.

Since their inception, as demonstrated by Program Performance statistics, the WEI organizations through their lending programs serve both start-up clients, those who are purchasing existing businesses and those who are expanding, with start-ups and expansions comprising the largest part of their lending. The organizations continue to serve women entrepreneurs exploring business ideas as well as those who move on to start-up a business. The WEI organizations are assessing avenues to offer additional services to expansion clients, including targeted programs and partnerships with other organizations.

Of particular interest for the sustainability of the WE Initiative, a projection provided by WES indicated that if the current low interest rates continue (the present interest rates are not high enough to cover the loan loss ratios), and taking into account loan

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<sup>30</sup> The Wired Women website states that “they [venture capital providers] generally make their decision on the strength of the

repayments at former higher rates, their loan capital will decrease to zero by 2008. AWE states that their loan fund will be depleted in 2006. As the organizations mature, their practices reflect their growing experience base, leading to the opportunity for standardized approaches based on a sharing of lessons learned by the four WEI organizations within the region.

### 3.3 Evaluation Issue – Results and Impacts

**Evaluation Issue: Results and Impacts**

This issue assessed:

- *Do WEI organizations help identify and fill service gaps facing women entrepreneurs?*
- *Are WEI organizations effective in providing services? Do these services result in more effective businesses?*
- *Do WEI organizations help improve access?*
- *Are WEI organizations increasing the availability of loans and delivering an appropriate amount of loans to women entrepreneurs?*
- *Are WEI organizations effective in supporting entrepreneurs to decrease the risk-level of loans?*
- *What are the economic impacts of the WEI organizations?*

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management team and the viability of the business model within the current market”

## Findings

The issue of results and impacts was addressed through a review of documents, key informant interviews and focus group sessions. The evaluation concluded that:

- The WEI organizations occupy a specific niche for women entrepreneurs in filling service gaps for start-up support, loan size and sectors of women's entrepreneurial activity;
- Organizational effectiveness differed from region to region, due to factors such as organizational restructuring, currency of needs assessments, clarity of communication between head office and satellite offices, clarity of roles and responsibilities and organizational marketing methods;
- In addition to sharing procedures and tools, the WEI organizations network to share best practices and lessons learned at both the Executive Director and staff levels to enhance organizational effectiveness;
- Access to financing for women has been improved through referrals, partnerships with other organizations, providing joint loans, and additional client preparation;
- Clients are returning to WEI organizations for 2<sup>nd</sup>, 3<sup>rd</sup> and 4<sup>th</sup> loans – not only because they are familiar with the organization but also because they remain ineligible for bank loans in the services or retail sectors due to lack of collateral. This may prove to be an issue if additional new clients require loans;
- The provision of services and the loan fund is considered successful due to reported economic impacts (*WD 2002*) of a 9:1 i.e. \$22.4 million in loans resulting in approximately \$200 million of business. It was also reported that by March 31 2004, WEI organization services and loans leveraged an additional \$33.1 million in support for women entrepreneurs.

### *WEI Organization Service Niche*

The evaluation found through focus group sessions and key informant interviews that the WEI organizations fill a very specific niche of particular relevance to women entrepreneurs. Traditional financial institutions are not generally structured to provide the type of detailed advice and support, as well as the low loan levels (under \$100,000) required by many start-ups, although personal loans and the use of credit cards often fills this gap. As well, these institutions do not generally loan to the high

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risk retail and services sectors of particular interest to women entrepreneurs. Government's development role therefore is to address women's entrepreneurial needs through programs such as the WE Initiative.

The evaluation identified that the WEI organizations' combination of business plan pre-requisites, course offerings and workshops for interested entrepreneurs coupled with a flexible loan program fills service gaps for those involved at the start-up stage with the organization.

### *Networking*

The report on *Best Practices*<sup>31</sup> highlighted the importance of networking for women entrepreneurs and stated that it cannot be emphasized enough. The report stated that one important challenge many entrepreneurs face is that of relative isolation, and that providing different networking opportunities is a critical form of support for women entrepreneurs. Three reasons were cited to support this:

- **1:** Women do not have the same degree of access to the traditional sources of information and marketing contacts as male entrepreneurs do. The “old boys” network while more open to women these days than it used to be, still predominately benefits men. Women entrepreneurs still need to broaden their avenues of access through intensive networking processes.
- **2:** Women in business tend to prefer developing personal relationships in business, face-to-face meetings and other kinds of direct contact when seeking to build strategic partnerships and alliances. It takes time and exposure to many different types of networking events and venues for them to find a good match.
- **3:** Many women's enterprises are fairly new and, consequently, can benefit greatly from exposure to and contact with other entrepreneurs who are either at a similar stage of growth or have a successful track record and more years of experience. Newly established women entrepreneurs have often indicated that they feel more comfortable sharing their experiences, lessons learned and business challenges with other women entrepreneurs.

The following Mini-Case Studies discuss WEI organization networking and mentoring services.

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<sup>31</sup> Pg. 41



## Networking Programs at the WEI Organizations

*There are several aspects of the WEI organizations that distinguish them from traditional financial institutions. One of these is the opportunity provided to WEI clients to network with other women entrepreneurs through a variety of formats: seminars, workshops, showcases, and groups. While ongoing education is offered in many instances through speakers and presentations, the main objective is to give women entrepreneurs the chance to cultivate and develop contacts. Our focus group participants all voiced a common message: women entrepreneurs want networking opportunities and in a range of formats to meet their circumstances. This includes networks targeted at special groups (i.e., Aboriginal), networks in rural or distant communities, traditional group meetings with a speaker, and online for a.*

*Each of the WEIs has taken a different approach to offering networking opportunities to existing and potential clients. A few examples include:*

- *WES offers “Lunch & Learn” seminars and a Breakfast Series as part of their training services. These seminars are informal gatherings designed to provide business training and education, but are also meant to allow opportunities to cultivate and develop business contacts as well as share knowledge and experiences.*
- *WEC offers networking opportunities along with their training seminars. The two-hour sessions are held in downtown Winnipeg in the evening and cover topics such as start-up issues, business plan development, etc. In addition, WEC piloted a very successful “Camp Successermine” for established business owners, which focused on targeted business discussions as well as building a participant network.*
- *AWE arranges monthly Networking Links in Edmonton, Calgary and Lethbridge to bring together women entrepreneurs. These monthly Links feature a speaker and allow for a generous amount of time to network. These Links are considered to be popular “must attend” events and help to raise awareness of AWE.*
- *WESBC does not currently provide networking opportunities. In the past, WESBC held a number of networking events throughout the province. While these events were well received by the entrepreneurs in the*

*communities, WESBC found the expense made them unsustainable. Deciding to discontinue providing networking opportunities was also influenced by the Board of Directors who emphasized their view of WESBC as a lending institution and that the focus of activities should be on the loans program. For the past year WESBC has been focusing resources on developing online networking capability that will be launched later in 2004.*

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### **Mentoring Opportunities through the WEI Organizations**

*Focus group participants mentioned they would like to participate in a mentoring program or are currently seeking a mentor. Mentoring has been shown to be an effective method of professional development. For women entrepreneurs at the start-up stage, it is extremely beneficial to be able to exchange ideas with someone who has experienced similar ups and downs and to be able to get advice, support and feedback.*

*Focus group participants reported that the WEI organizations are considered by their clients to be more than a lending institution. In part this is because of the superior one-on-one business coaching they receive. It is also because of the training and networking opportunities provided. However, providing a formal mentoring program is not easy. Administering a mentoring program requires a significant commitment of human resources to manage the partnering of mentors (if they can be found) and mentees. The WEI organizations have also attempted partnering together on mentoring. Several years ago, all four WEI organizations developed an inter-provincial mentoring program (the PanWest Business-to-Business linking Program), but this was also plagued by demand exceeding supply and difficult to administer, and has been largely dropped.*

*Few mentoring activities in the strict sense are currently ongoing within the WEI organizations. This is borne out by interviews with WEI organization staff and Board Members indicating that mentoring activities have been declining over the past five years.*

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*Organizational Effectiveness*

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Organizational effectiveness is defined in this evaluation as the ability of the WEI organization to meet its mandate through reaching its client group, provide valuable levels of service which are client focused and well utilized, liaise with other agencies/institutions to provide value added services for clients, effectively promote and manage its staff and activities, and maximize its impact.

The evaluation determined that a number of factors have had an impact on the organizational effectiveness of the WEI organizations. These factors were identified as:

- *Organizational restructuring*  
Each of the WEI organizations except for WES has gone through a process of organizational restructuring following the departure of its previous Executive Director. It is expected that these disruptions will occur in every WEI organization at some point as individuals seek other professional opportunities. These disruptions can be seen as risks to the success of the WE Initiative. Succession planning is a critical element of organizational stability. Each of the WEI Board of Directors should have such a plan in place that can be implemented during staff changes.
- *Effective operation of satellite offices*  
From discussions with the WEI organization Executive Directors and staff, the evaluation determined that there are significant issues involved in operating satellite offices. While the intent of the evaluation was not to review operational and internal management issues per se, the impact of these issues on organizational effectiveness must be addressed.

WEI organization with satellite offices have benefited from long term low staff turnover and well developed communication methods. Lack of clarity of roles and responsibilities impacts organizational effectiveness both financially and operationally, and can lead to partner and client non-confidence in the ability of the organization to respond professionally when required.

#### *Access and Availability of Loans*

The evaluation found that through the WEI organizations contacts and networks, as

well as through the business counselling services provided, women entrepreneurs have been able to access additional financing. The Program Performance figures (“total \$s leveraged”) indicate that the WEI organization funding has resulted in 33.1 million additional dollars leveraged (this includes dollars leveraged from both provision of Business Advisory services and application of the loan fund. For comments on the data see **Section 3.4** below). In some cases, counselling and business plan support from the WEI organizations have prepared women entrepreneurs for successful negotiations with financial institutions, including joint loans with WEI organizations. Partnerships with organizations such as Youth Entrepreneurship Canada have also resulted in joint loans.

The availability of loans is subject to the process of due diligence applied by the WEI organization loan officers and managers. The serious consequences for the client (i.e. potential loss of property, poor credit rating) of poorly placed loans is recognized, and the organizations consider part of their success to be in not supporting clients to undertake businesses with unacceptable levels of risk. Many WEI clients have approached traditional lenders prior to turning to WEI organization loan funds, and report that they could not find loans elsewhere. WEI organization loan impacts are not tracked per se, as this requires additional monitoring resources.

Some focus group participants indicated high levels of dissatisfaction with the ability of the WEI organization to respond to high tech business loan applications. They felt that staff were not technically capable of assessing business requirements outside of the high traffic sectors such as retail and traditional services. There may be other loan assessment gaps in WEI organization capacity not identified during the evaluation data collection process.

### *Economic Impacts*

The *2002 Impact Study* stated that the 539 loans that the WEI organizations had advanced at the time of the study have been associated with the creation/retention of an estimated 797 full-time-equivalent jobs (an average of 1.48 jobs per loan) and helped facilitate expansion of the corporate and GST tax base in Western Canada. The Program Figures (pg. 24 – see **Section 3.4** below concerning reliability) indicate that the 998 loans that have been accepted up to March 31, 2004 have been associated with 2,388 jobs created or maintained.

Economic impacts (*WD 2002*) with a ratio of 9:1 were reported i.e. \$22.4 million in loans resulting in approximately \$200 million of business.

### Summary

The WEI organizations are addressing service gaps for women entrepreneurs, particularly those starting businesses. Organizational effectiveness has been hampered by changes in WEI organization personnel as well as lack of clarity concerning roles and responsibilities between HQ and satellite office. The WEI organizations through business planning support, partnerships and networking have improved access to services and loans for women entrepreneurs. On the other hand, mentoring activities have been decreasing over the past five years. Increasing mentoring programs should be seriously considered for future effort due to existing research indicating that women entrepreneurs benefit immensely from mentoring.

The organizations have also undertaken due diligence processes to try to reduce risk levels for those accessing loans through the organizations. Through these means, the Women's Enterprise Initiative has resulted in increased economic return and job creation/retention in Western Canada.

## 3.4 Evaluation Issue – Reporting and Cost-Effectiveness

### Evaluation Issue: Reporting and Cost-Effectiveness

This issues covers:

- *Are the WEI organizations reports to WD relevant and do they allow WD to monitor the performance of WD's investment in WEI organizations?*
- *Do the WEI organizations have systems to measure their performance?*
- *Are WEI organizations cost effective? Are the results of WEI organizations significant considering WD's investment?*
- *Are there alternative models to be considered to improve service delivery and impacts of WEI organizations?*

## **Findings**

In our examination of reporting and cost effectiveness, the evaluation found that:

- There are significant shortcomings in the data available from WD that has been provided through the WEI organization quarterly reports. The data is incorrect and unreliable. It is not utilized on an ongoing basis to track WEI organization performance.
- WEI organizations would like to know the value of the information that they are asked to collect and how the information is actually utilized;
- Some of the WEI organizations indicated they would like to be able to collect results-based information (e.g. what has been the impact of their services/loans) but need the resources and appropriate measures to do so;
- The WEI organizations were considered to be cost-effective and produced significant results in relation to the WD investment;
- Alternatives for improving service delivery and impacts would focus on the further development of partnership strategies with WCBSN partners as well as other organizations to bring greater breadth to the provision of services; and
- Interviews with WD indicated a strong focus on partnership development to enhance WEI program delivery and increase effectiveness. Current reporting templates do not capture essential information about the types and important aspects of the WEI organizations existing partnerships with community, national and international organizations.

## *Reporting*

The evaluation found that the data provided by WD from the WEI organization files is not reliable or consistent, even though the data is reported to have been confirmed by the WEI organizations themselves (see notes on Program Performance figures page 23). This points to a significant requirement for both WD and WEI to ensure that the numbers collected are correct. Due to questions about the reported figures, it is difficult for researchers or evaluators to analyze or compare data with confidence. It also appears from the numbers that data collection definitions are variously understood, resulting in figures being placed in different categories depending on the WEI organization understanding. Data collection categories and definitions should be clearly identified by WD.

It is also apparent from interviews with WD personnel responsible for monitoring the WEI organizations that the data is not utilized in any systematic way to provide file managers with a ready analysis of significant information concerning the WEI organization performance. For example, information collected from WEI key informant interviews indicates that organization specific trend analysis concerning clients is occurring, but there appears to be no formal system through which to report this information to WD.

In line with the above findings, interviews with Board Members and staff of the WEI organizations indicated that they would like to know the value of the information they are asked to collect, and the ways in which the information is actually used. They receive very little feedback on the information they provide and so question whether it is useful.

As indicated previously in the report, interviews with some of the WEI organization representatives indicated that they would like to be in a position to better track the impact of their work – not only in the area of business outcomes for loan clients, but also in the area of the client supports they provide on an ongoing basis. To track these impacts requires additional human and financial resources, but may provide the robust analysis required to further explore the success of the WE Initiative. Measuring impacts would also provide WEI organization management with further information regarding their loan approval and management process.

#### *Reporting on Partnerships*

The WEI organizations are also engaged in a multitude of partnerships with a wide range of partners. The evaluation was provided with anecdotal information concerning these partnerships, but at present there is no formal collection of information concerning the range or the value of these. Interviews with WEI organization staff and other organizations indicated that the partnerships result in leveraging both funds and service delivery support and collaboration. There is also no formal statement of WD expectations surrounding partnership development and the resource allocations that may be required to maintain these partnerships. These issues should be addressed in future Contribution Agreements if partnership development is to be measured.

#### *Performance Measurement*

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The first series of Contribution Agreements allocated specific amounts for annual studies. The WEI organizations used some of these resources to measure their performance. The present Contribution Agreement does not have this provision. Other funds have been used by some of the WEI organizations to conduct studies on client satisfaction, client needs and new target group needs. It was reported that these studies had been useful to the organization, particularly in providing specific information for future programming purposes. For example, WES contracted consultants to conduct a needs analysis for online learning for rural Saskatchewan businesswomen<sup>32</sup>. Another example was given by WEC: it conducted a brief assessment of immigrant women's knowledge of the organization and the needs of this group. In some cases these reports have been shared among the four provincial associations, in some cases these studies have been used for internal purposes as well as for sharing with other organizations, including other WEIs.

#### *Cost Effectiveness*

The evaluation methodology was not intended to conduct a formal cost/benefit analysis of the WEI organizations, but rather was designed to rely on primarily qualitative data from a wide range of knowledgeable informants. The evaluation found that stakeholders consider the WEI organizations to be cost-effective, in that they were using their limited resources responsibly and continuing to focus on their mandated activities. The results of the WEI organizations efforts were considered significant by most stakeholders, recognizing the limited support options available for women entrepreneurs in the retail and services sectors.

The loan loss ratio figures into WEI organization cost effectiveness, in that it would be considered not cost effective to continue to incur high losses on an annual basis. Because appropriate loan loss ratio levels are not defined at the present time within the WE Initiative, these cannot be factored in to a determination of present cost effectiveness. As discussed previously in this report, the issue of loan loss ratios should be discussed with WE Initiative stakeholders and guidelines/policies put in place to allow sufficient levels of reporting and management of these important elements.

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<sup>32</sup> March 31, 2002. Conducted by Paschall & Associates, Inc.



### *Alternatives*

The question of alternatives in evaluation terminology is whether the same services could be more effectively and efficiently delivered in a cost effective manner by another mechanism. The evaluation determined that the WEI organizations due to their gender specific expertise and focus are the appropriate mechanism. At the same time, to continue to increase their effectiveness and efficiency, the WEI organizations need to continue to build partnerships at all levels (community, provincial, regional and national) to increase partners' capacity to serve women entrepreneurs. As identified in **Section 3.2**, this will include strategies to fill client service gaps.

### **Summary**

Reporting designed to identify results and manage to increase impacts is increasingly the focus of government funded programs. The current methods of collecting information by WD appear to have resulted in unreliable and confusing information. Due to the WD focus on partnership development, a reliable means of reporting on this aspect of WEI activity should be found and incorporated into future agreements with WD. The WEI organizations have expressed an interest in collecting data that is results focussed and useful to effective management of their organizations.

Stakeholders consider the WEI organizations to be cost effective, using their limited resources to maximum benefit. Adverse loan loss ratios could have a negative impact on this perception, but at the present time loan loss ratio levels considered to be appropriate by WD have not been defined. The future expansion of partnerships will support the organizations to address service gaps and meet client needs.

## 4.0 Conclusions

The WEI organizations support the mission and mandate of WD. The activities of the WEI organizations are also considered distinct from, but complementary to, the CBSCs, CFDCs, FEDOs, financial institutions and other provincial organizations. The WEI organizations have recognized the need to, and value in, pursuing partnerships and are actively doing so.

WD through the Women's Enterprise Initiative is the primary support of the WEI organizations. There are issues surrounding the management of the WEI files by WD in terms of timeliness of payments and consistency of management messages and approaches. The WEI organizations are making conscious efforts to publicly acknowledge the support received from WD.

Since their inception, as demonstrated by Program Performance statistics, the WEI organizations through their lending programs serve both start-up clients, those who are purchasing existing businesses and those who are expanding, with start-ups and expansions comprising the largest part of their lending. The organizations continue to serve women entrepreneurs exploring business ideas as well as those who move on to start-up a business. The WEI organizations are assessing avenues to offer additional services to expansion clients, including targeted programs and partnerships with other organizations.

Of particular interest for the sustainability of the WE Initiative, a projection provided by WES indicated that if the current low interest rates continue (the present interest rates are not high enough to cover the loan loss ratios), and taking into account loan repayments at former higher rates, their loan capital will decrease to zero by 2008. AWE states that their loan fund will be depleted in 2006. As the organizations mature, their practices reflect their growing experience base, leading to the opportunity for standardized approaches based on a sharing of lessons learned by the four WEI organizations within the region.

The WEI organizations are addressing service gaps for women entrepreneurs, particularly those starting businesses. Organizational effectiveness has been hampered by changes in WEI organization personnel as well as lack of clarity

concerning roles and responsibilities between HQ and satellite office. The WEI organizations through business planning support, partnerships and networking have improved access to services and loans for women entrepreneurs. On the other hand, mentoring activities have been decreasing over the past five years. Increasing mentoring programs should be seriously considered for future effort due to existing research indicating that women entrepreneurs benefit immensely from mentoring.

The organizations have also undertaken due diligence processes to try to reduce risk levels for those accessing loans through the organizations. Through these means, the Women's Enterprise Initiative has resulted in increased economic return and job creation/retention in Western Canada.

Reporting designed to identify results and manage to increase impacts is increasingly the focus of government funded programs. The current methods of collecting information by WD appear to have resulted in unreliable and confusing information. Due to the WD focus on partnership development, a reliable means of reporting on this aspect of WEI activity should be found and incorporated into future agreements with WD. The WEI organizations have expressed an interest in collecting data that is results focussed and useful to effective management of their organizations.

Stakeholders consider the WEI organizations to be cost effective, using their limited resources to maximum benefit. Adverse loan loss ratios could have a negative impact on this perception, but at the present time loan loss ratio levels considered to be appropriate by WD have not been defined. The future expansion of partnerships will support the organizations to address service gaps and meet client needs.

## 5.0 Recommendations

The following recommendations are derived from the evaluation findings:

1. WD should assess its WEI organization payment process, identify and remove bottlenecks that prevent timely payments to the WEI organizations. This should include identifying delays caused by proponents providing incomplete information, etc.
2. WD should also review its management of the WEI files for consistency of approach and clarity of communications with the WEI organizations and implement the most effective approach to fulfilling its management and monitoring responsibilities. WD should communicate expectations to the WEI organizations with regard to loan loss ratios, non-performing loan ratios and expected loan volumes.
3. Increased partnering opportunities between CFDCs and WEI organizations, particularly for CFDC staff training specific to the needs of women entrepreneurs, be sought to increase access to gender sensitive services by rural women in Western Canada.
4. Loan funds should be replenished. WD and the WEI organizations should discuss the issue of loan limits, services to mature clients/immigrant/rural women and the future of the WEI organization loan funds and make decisions/devise strategies on these issues based on the best ways to meet the needs of women entrepreneurs in Western Canada.
5. WD and the WEI organizations should assess current reporting requirements, particularly success and trend indicators. If required, new mechanisms that allow the tracking of results/trends/issues should be designed to meet the needs of both groups.
6. WD and the WEI organizations should discuss expectations for and means of measuring partnership development and maintenance. The results of these

discussions should be included in future Contribution Agreements if this is a specific performance requirement.

7. Policies/guidelines concerning appropriate loan loss ratios should be developed based on past experience of the WEI organizations with management of the loan fund and WD expectations.
8. The WEI organizations should assess service gaps that may be occurring due to current technical capabilities of staff, as well as service gaps related to both potential client groups (e.g. rural women) as well as professional development (e.g. mentoring and networking). Strategies to address these gaps should be developed and implemented. The evaluation recommends that information about the WEI organizations be included in new immigrant arrival information packages and that the WEI organizations offer familiarization sessions to agencies serving new immigrants. Information packages should also be provided to all members of the WCBSN.
9. In line with the 1998 recommendation, this evaluation recommends that if there are issues surrounding differential funding requirements due to unsustainable demand, the WEI organizations should discuss these directly with WD staff.
10. To minimize the disruptions, succession plans maintained by the Board of each WEI organization should be in place for the future. There are many resources readily available on this topic.
11. The evaluation recommends that a competency-based personnel framework be developed for each staff position across the WEI organizations, to ensure standardization of hiring practices and staff competencies. The level of salaries offered and the resulting ability to attract senior professionals should be taken into account.
12. The WEI organization methods of sharing best practices between the four regions has been effective and should be continued.

## **Appendix A**

### 2002 Impact Study - WEI Organization Profiles

**WEI Services Recipients**

Profile Attribute		British Columbia	Alberta	Sask	Manitoba
Age Distrib'n of Owner %	< 30 yrs	6.7	6.4	12	7.4
	30-49yrs	69.5	74.8	66.8	65.7
	50+ yrs	23.8	18.8	21.2	26.9
Owner's Educ %	No univ	19.2	19.2	21.3	28.1
	College	12.8	8.6	6.8	7.5
	Some univ/grad	35.9	33.6	35.3	36.9
Total Bus Experience %	< 5 yrs	23.4	37.8	32.7	35.3
	5-14.9 yrs	48.7	35	38.3	45.8
	15+ yrs	28.8	27.2	28.9	18.8
Size of Firm (# workers) %	0	52.9	50.5	45	63.9
	1-4.9	39.2	39.4	42.4	32.5
	5-19.9	5.9	9.6	10.6	3.6
	20+	2	0.5	2	0
Size of Firm (Ann Rev) %	< 100k	70.5	75.5	67.9	82
	100k-500k	19.2	17.5	27.5	14
	500k-1 million	7.7	4.2	3.7	4
	1 million+	2.6	2.8	0.9	0
Age Distrib'n of Firm %	2001 +	17.1	23	11.9	18.8
	1999-2000	18.9	27.6	30.2	18.8
	1995-1998	31.5	30.9	29.6	27.6
	Pre-1995	32.4	18.5	28.3	24.7
Major Sector %	Manufact	11	0.3	3.1	9.4
	Services	63	46.3	67.8	54.9
	Retail/ Wholesale	26	36.3	25.9	34
	Other	0	17.0	3.2	1.6
Stage of Firm %	Pre-start up/ Start-up	65.2	51.2	65.7	75.6
	Established	34.8	48.4	34.3	23.6
	Winding down	0	0.4	0	0.8

**WEI Loans Clients**

Profile Attribute		British Columbia	Alberta	Sask	Manitoba
Age Distrib'n of Owner %	< 30 yrs	7.4	9.7	7.8	5.3
	30-49yrs	66.7	75.8	62.7	78.9
	50+ yrs	25.9	14.5	29.4	15.8
Owner's Educ %	No univ	50	37.1	25.5	10.5
	College	18.5	22.6	21.6	23.7
	Some univ/grad	24.1	33.9	51	52.6
Total Bus Experience %	< 5 yrs	33.3	29	41.2	18.4
	5-14.9 yrs	48.2	37.1	35.3	60.5
	15+ yrs	18.5	33.9	23.5	21.1
Size of Firm (# workers) %	0	42.3	41	22.4	31.6
	1-4.9	38.5	37.7	61.2	47.4
	5-19.9	19.2	19.7	16.3	15.8
	20+	0	1.6	0	5.3
Size of Firm (Ann Rev) %	< 100k	51.2	65.2	34.2	40.6
	100k-500k	33.3	21.7	42.1	34.4
	500k-1 million	6.7	4.3	7.9	9.4
	1 million+	8.9	8.7	15.8	15.6
Age Distrib'n of Firm %	2001 +	9.3	3.2	21.6	5.3
	1999-2000	24.1	29	23.5	18.4
	1995-1998	53.7	38.7	37.3	52.6
	Pre-1995	13	29	17.6	23.7
Major Sector %	Manufact	20.4	8.1	0	11.4
	Services	24.1	25.8	43.1	28.6
	Retail/ Wholesale	53.7	58.1	45.1	60
	Other	1.9	8.1	11.8	0
Stage of Firm %	Pre-start up/ Start-up	70.4	65	66	63.2
	Established	28	28.3	24	34.2
	Winding down	1.9	6.7	10	2.6