

THE EFFECT OF WOMEN-OWNED BUSINESS ON ENTREPREURSHIP AND SMALL BUSINESS MANAGEMENT: THE CASE OF 'HAPPY FAMILY'

Michalis Evripiotis and John Mylonakis

ABSTRACT: *The paper examines the issue of entrepreneurship and small business focusing on women-owned businesses. It explores the relevant academic literature, addresses succinct research questions which will be answered after having examined one of the top US women-owned companies, Happy Family. The purpose of the paper is to evaluate how Happy Family may serve as a model for successful women entrepreneurship. Through the information derived from this research specific questions that arose from the literature review are answered. Findings indicate that indeed Happy Family, as a women-owned small business, has some basic unique features, such as decent background, limited access to capital and family related incentives. On the other hand, high level of education and entrepreneurial character skills are met in women who start a small company and lead it to full success. Some current challenges can be summarized into increasing competition as long as a company grows and continuous pursuit of initial mission.*

KEYWORDS: Entrepreneurship, Women-owned Business, Small Business Management

INTRODUCTION

Entrepreneurship and Small business management is always a contemporary subject of research, especially as long as globalization fosters Mergers and Acquisitions but in the same time regionalization continues to develop as an answer or to balance for the discontents of globalization. The issue of entrepreneurship and small business management has long occupied researchers, academics and business analysts in order to determine the incentives and conditions for the launch and success of small and medium enterprises (SMEs). While wealth and educational background determines to a certain degree potential entrepreneurs (Lofstrom, Bates, & Parker, 2014), the question of what predisposes women to own a business, and most commonly, a small business, is of special interest in this paper.

Small Enterprises

Small businesses (or small-scale enterprises) are generally those which occupy fewer than 50 employees, while micro-enterprises have at most 10, or in some cases 5, workers (OECD Glossary of statistical terms). But the legal definition of a small business varies by industry and country. For example, in the United States, the US government agency, Small Business Administration (SBA), defines that small businesses generally have fewer than 500 employees within a 12-month period in non-manufacturing industries. SBA has established various size standards (stated in number of employees, sales etc.) about every industry. On the other hand, in Australia a small-scale enterprise is one that has fewer than 15 employees on payroll, as defined by the Fair Work Act. The Small Business Act for Europe says that small enterprises are those that have 250 employees or less. Small-scale enterprises in Asian countries generally have 100 employees or less, while small-scale African enterprises hire 50 workers or less (Richards-Gustafson, 2015). In Greece, the size of enterprises is defined by a business's turnover or total assets and number of employees (Law 4308 on Greek accounting standards,

G. A251/2014). As far as types of small businesses, they can range from mom-and-pop convenience stores to small manufacturing plants (Richards-Gustafson, 2015).

Entrepreneurship

The concept of entrepreneurship includes some basic entrepreneurial principles of success, which include risk taking ability and leadership skills. Entrepreneurial abilities which can be found to individuals from different backgrounds include the ability to perceive market opportunities and the ability to take necessary actions in order to profit from these opportunities. In the present environment a combination of entrepreneurship and innovation is necessary in order to capture changes and constantly create new things. Many companies, especially SMEs, face sustainability challenges due to hard competition, bureaucratic barriers and owners' lack of basic managerial skills. Experts believe that only through experience great entrepreneurs are formed whereas natural entrepreneurial talents evolve only under certain favorable circumstances. The basic features of an entrepreneur include practical skills, ability to combine ideas and knowledge, developed intuition, innovative ideas and ability to feel a business's needs (Ioanidis & Chatzichristou, 2012).

Women-owned businesses

Women-owned businesses are a powerful force in today's global economy. Women's motives and factors affecting woman entrepreneurship are associated with the size of businesses they undertake, but some barriers exist in their way to success. Female businesses are mostly concentrated in industries where businesses are relatively smaller in terms of employment and revenue but women-owned businesses seem to out survive male-owned businesses. It is worth noticing that the number of women-owned businesses grows continuously at twice the rate of all US firms (National Women's Business Council). Also, according to fact sheets some trends are identified. Precisely, women seem to take better business advantage of technology and use it innovatively to build scale into their business models, more of these businesses are becoming certified to do business with the government and the top publicly traded companies as minority-owned enterprise, more and more women are confident in the transferable skills that they've gained after years of working in a particular field and there is an increasing desire to have work-life balance, allowing them more control over their lives and schedules, and the ability to spend more time with family (National Women's Business Council).

Happy Family Company

Happy Family was launched on Mother's Day 2006; it was founded and operated by moms. It is a leading premium organic food brand delivering optimal nutrition for the family. In 2011, founder and CEO Shazi Visram earned the title of Ernst & Young's Entrepreneur of the Year for New York. Happy Family has been named as one of the fastest growing organic food companies in the US by Inc. magazine for two consecutive years and was named "Rock star of the New Economy" by Fast Company in 2012. What is more, Shazi saw vast recognition in the US; She was named one of *Crain's New York Business* 40 Under 40 in 2012, was honored by Ernst & Young as Entrepreneur of the Year in New York for 2011 and was nominated as one of Babble's "moms who are changing the world" for the same year. (About us: Happy Family).

In the present study, secondary data were used to identify how one of the most promising women-owned small businesses, Happy Family, managed to develop into an ever growing and high profit company, where it started from and what kind of managerial skills the owner had. Several data analysis, as well as, a SWOT analysis will help to identify the basic characteristics

of this particular company and link our findings with the existing literature in order to answer questions deriving from literature.

LITERATURE REVIEW

A lot of studies and research have been done in order to identify women entrepreneurship. Women-owned businesses are a powerful force in today's global economy (Buttner & Moore, 1997). Bowen & Hisrich (1986) reveal a clear picture of the factors which encourage an individual to enter upon an entrepreneurial career and manage to develop a comprehensive career model (a more definitive picture of the determinants of entrepreneurial behavior for women). Stevenson & Jarillo (1990) through attempted their research to show how a particular concept of entrepreneurship, based on the notion of opportunity, may help link the vast and varied research on that topic with the emerging field of corporate entrepreneurship. Orhan & Scott (2001) develop a model of the factors that motivate women to start their own businesses. Their research identified a number of situations that relate to women's decisions to become entrepreneurs, namely "dynastic compliance", "no other choice", "entrepreneurship by chance", "natural succession", "forced entrepreneurship", "informed entrepreneur" and "pure entrepreneur". The findings do not reinforce the assumption that a majority of women become entrepreneurs for reasons of necessity and identified antecedents to the generalized "push", "pull" and environmental motives. Another study finds that women whose motive is risk-taking are more likely to success, in contrast with women whose motive is to pursuit a better work-life balance (Rey-Martí, Tur Porcar & Mas-Tur, 2015). Similarly, Ismail (2014) found that the major characteristics of women entrepreneurs include need of achievement, endurance and market awareness. In a coherent study on the main factors affecting women entrepreneurship, Xavier et al. (2012) identify the need for personal growth, independence and economic payoff, passion for business, communication and discipline skills. The challenges they identified were shortage of staff, development and growth issues as well as financial constraints and lack of expert advice.

Mijid & Bernasek (2013) in an empirical research highlight the importance of credit access for the success of small businesses and prove that women have less access to credit than male business owners. Thus, lower loan application rates among women seem to be a reason why women entrepreneurship is low and mostly concentrated on small businesses. Becker-Blease & Sohl (2007) support that in the US women-owned businesses are the fastest growing sector of new venture ownership. They examine the equality of women's access to angel capital and find that women seek angel financing at substantially lower rates than men but have an equal probability to receive investment. They also find that women are more likely to seek financing from women angels, but less likely to receive those.

Another study shows that women business owners have limited access to clients than male business owners when they try to operate beyond their traditional household clientele and precisely women business owners have less access to sell their products to government agencies and other businesses (Bates, 2002). However, as it was stated in the introduction, recent factsheets show that, at least in the US, women seem to take better business advantage of technology and use it innovatively to build scale into their business models and more of these businesses are becoming certified to do business with the government and the top publicly traded companies as minority-owned enterprise (National Women's Business Council). Anna et al. (1999), support that the size of women-owned businesses remains small in terms of

revenues and number of employees in comparison to male-owned businesses. Their explanation is that female businesses are mostly concentrated in the retail and service industries where businesses are relatively smaller in terms of employment and revenue as opposed to high technology, construction, and manufacturing. Regarding the longevity of women-owned businesses, those seem to out-survive male-owned businesses in many industries and areas (Kalnins & Williams, 2014).

Nabi, Holden & Walmsley (2006) find that despite an increasing body of theoretical and empirical literature on career choice in general and on the career choice to start-up a business in the form of intention models, there remains a lack of in-depth research on the stories, circumstances, contexts and complexities of graduates on their journey from student to business start-up. A transition from entrepreneurial intentions to actual start-up is often assumed but under-researched in terms of career development and decision making processes. The nexus between training, support, intent and actual career choice to start-up a business remains under-investigated. Wharton & Brunetto (2007) used a social capital theoretical framework to examine how the relational dimension of business networks affects the networking activities of female.

Lastly, according to Lofstrom et al. (2014), the determinants for entry into small-business ownership differ in high and low-barrier industry groups, as entry into low-barrier industry groups requires modest capital and basic educational background for the owner whereas for high-barrier industry groups potent entrepreneurs need to have much more capital and advanced managerial skills. Thus people's likelihood to become small-business owners depends on the different types of industries and the wealth and educational background predisposes them to make distinct industry choices. The question that arises here is if women, who are proven to tend to small-business ownership are generally characterized by weaker financial and educational background than men, but this would be an excellent occasion for further research in another field.

From the literature review the following research questions derived:

- Women's entrepreneurial motivations are related to business concepts or to family concerns?
- Is there any sort of credit discrimination against women businesses?
- What are the client access opportunities for small business-owned businesses?
- Does a woman's background affect her decision to create a small enterprise?

LITERATURE RESEARCH FINDINGS

How Happy Family started to develop its capital until its acquisition by Danone

Happy Family launched with five frozen baby food products in a handful of markets in New York City at a time when organic baby food sales in the U.S. were only \$21 million. The founders went out to parks and playgrounds, talking to moms and caregivers, reached moms groups and healthcare networks and built a "Happy Mamas" network as a kind of focus and volunteer group. Happy Family's CEO, Visram, who was a Columbia Business School graduate, leveraged celebrity connections to raise about \$500,000 in seed funding. Happy

Family also attracted angel investment funds from RAIN Source Capital, an angel network that supports local companies. First year revenues reached 115.000 dollars. Its mission to make organic, baby food available to parents at all income levels attracted in 2009 a working capital loan from RSF Social Finance. RSF is a San Francisco-based open impact fund that allocates funds to social enterprises. RSF introduced Visram and Rolph to the Kellogg Foundation, which committed 4,6 million dollars in debt and equity in 2012 as a “mission-driven” investment. After all Happy Family raised approximately 30 million dollars in debt and equity.

Happy Family meals can now be found in over 17.000 retail and online outlets across the US, as well as in several international (Turkey, Trinidad, China) markets. Reported revenues in 2012 were \$63 million and in 2013 \$91 million, giving Happy Family a small part of the \$1.7 billion U.S. market for baby food and snacks. That market is dominated by Gerber, a brand of Nestle, Danone's biggest rival. But organics represent the fastest growing segment and competitors are proliferating, primarily aiming for affluent parents.

In 2014, Happy Family was acquired (92% of the company) by French food giant Danone for more than 250 million dollars. This acquisition shows that impact investments can produce significant exits. As a major corporation, Danone provides global distribution and marketing, as well as deeper research and development capacity that will expand the healthy baby food market Happy Family helped create. Inside Danone, Visram continues to head the company, as a CEO, and as the guardian of its social mission and vision. It remains to be seen if companies and organizations that aim to create social and environmental benefit can maintain their social impact inside huge global corporations.

Pothering (2014) and Glazer (2013) concluded that women’s entrepreneurial motivations can be related both to business concepts and to family concerns. There does not seem to be any sort of credit discrimination against women businesses. What seem to matter are the innovative ideas. Access opportunities seem to be plenty.

SWOT Analysis

Findings from Advisorgate summarize the following SWOT Analysis matrix:

Strengths

- reduced labor costs
- barriers of market entry
- high growth rate
- high profitability and revenue
- monetary assistance provided
- experienced business units

Weaknesses

- tax structure
- small business units costs
- future competition

Opportunities

- income level is at a constant increase

- global markets

Threats

- tax changes
- growing competition and lower profitability
- rising cost of raw materials
- external business risks
- increasing costs
- financial capacity

Regarding Happy Family's strengths, it was found that the reduced labor costs when the company started gave it a significant opportunity to seek capital and gain access to it with the minimum cost possible. Since it started as a kind of volunteer group, there were no barriers of market entry because competitors did not recognize the threat. By achieving financial assistance and funds it developed a high growth rate and high profitability, which also led to the development of experienced business units.

The weaknesses concerning tax structure are equal for all small companies, small business units costs we believe that have already been surpassed since the capital influx has risen and the future competition is constant weakness or threat in any case.

But the most important part is the opportunities for the company. The income level is at a constant increase and global markets will probably be conquered, especially after the acquisition by Danone. Happy Family has already presence in international markets (Turkey, China and Trinidad) and seeks to further expand.

Regarding threats, tax changes do not really seem to have seriously affected the company's development. The growing competition and lower profitability are however much more threatening for Happy Family. The rising costs of raw materials, the external business risks, the increasing costs and financial capacity will be challenging factors for the rapidly developing company.

To sum up, from the above analysis we cannot see any clue indicating that this phenomenally successful women-owned small business, gets affected by gender factors. Open access to opportunity was met and also there did not seem to be any sort of credit discrimination against Happy Family.

Social background of women owning small businesses

From the company's website the following information is derived (bold is authors' intervention): *"For as long as she can remember, Shazi Visram has **wanted to be a part of something bigger than herself**. As **a daughter of immigrants** who took life-changing risks in order to create a better world for their children, Shazi has **always sought to create wealth and pay it forward** - the question was: how? Her journey took her **to Columbia Business School**, where she had an "Aha! Moment" while listening with a compassionate ear to a friend's anguish about the difficulty of finding the time to make her own baby food, and the lack of healthy options in the traditional baby food aisle. In that moment Happy Family was born. Shazi made it her **mission to create a business that could positively impact the health of our children and give back to those who are in need**. (...) In addition, Shazi works with the Network for Teaching Entrepreneurship (NFTE) as a **mentor** to young and aspiring*

entrepreneurs from low-income communities. She also serves on the board of Hydros, which manufactures portable filtered water bottles” (About us: Happy Family). It is worth mentioning that the same information about Shazi is also featured in Columbia Business School’s website, what indicates that the University is proud of its successful entrepreneur.

It is understood that in the specific case of Happy Family, the social background (immigrant family) may have acted as an incentive to do business and create wealth. However, limited financing in the beginning and family reasons led to the creation of a small-sized business. This finding is in line with the bibliographical references. However, the educational background of Visram implicates that a big enterprise could also be created, and we understand that probably this is a main reason why it became one of the fastest growing women-owned small businesses. The fact that this female entrepreneur also works as mentor to other young and potent entrepreneurs from low income communities shows that the increasing knowledge and sharing of know-how may positively influence other women to run their own small businesses.

CONCLUSIONS

The paper examined the issue of entrepreneurship and small business management, a contemporary business issue of rising research interest. Specifically, the topic on which the present analysis focuses is women-owned businesses management and how Happy Family may serve as a model for successful women entrepreneurship. Entrepreneurship and small business management is always a contemporary subject of research and has long occupied researchers, academics and business analysts in order to determine the incentives and conditions for the launch and success of small and medium enterprises (SMEs). While wealth and educational background determines to a certain degree potential entrepreneurs (Lofstrom, Bates & Parker, 2014), the question of what predisposes women to own a business, and most commonly, a small business, is of special interest in the present coursework.

Findings show that that women’s entrepreneurial motivations can be related both to business concepts and to family concerns. There does not seem to be any important credit discrimination against women in businesses. Innovative ideas seem to matter the most and access opportunities seem to be plenty. Happy Family started with several important strengths, including reduced labor costs and no barriers in market entry, since competitors did not immediately recognize any potential threat. By achieving financial support and funds it developed a high growth rate and high profitability, which also led to the development of experienced business units. More precisely:

The weaknesses concerning tax structure are equal for all small companies, small business units costs we believe that have already been surpassed since the capital influx has risen and the future competition is constant weakness or threat in any case.

Opportunities for the company are high enough. The income level is at a constant increase and global markets will probably be conquered, especially after the acquisition by Danone. Happy Family has already presence in international markets and seeks to further expand.

Regarding threats, tax changes do not really seem to have seriously affected the company’s development. Growing competition and lower profitability are however threatening enough for the company. The rising costs of raw materials, external business risks, increasing costs and financial capacity may be some challenging factors for the rapidly developing company.

In conclusion, there is no any clue indicating that this incredibly successful women-owned small business gets affected by social (gender) factors. There was open access to opportunity and also there did not seem to be any sort of credit discrimination. Although it is understandable that in the specific case of Happy Family, the social background (immigrant family) may have acted as an incentive to do business and create wealth, limited financing in the beginning and family reasons led to a small family. Furthermore, the educational background of Visram implies that a big enterprise could also be created, and we understand that probably this is the main reason why it became one of the fastest growing women-owned small businesses. The fact that this female entrepreneur also works as mentor to other young and potent entrepreneurs from low income communities shows that the increasing knowledge and sharing of know-how may positively influence other women to run their own small businesses.

REFERENCES

- About us: Happy Family. (n.d.). Retrieved 5 18, 2015, from Happy Family: <http://happyfamilybrands.com/world-of-happy/about-us/>
- Advisorgate. (n.d.). Retrieved 5 18, 2015, from <http://swot.advisorgate.com/swot-h/17507-swot-analysis-happy-family.html>
- Anna, A. L., Chandler, G. N., Jansen, E., & Mero, N. P. (1999). Women Business Owners in Traditional and Non-traditional Industries. *Journal of Business Venturing*, 15, 279–303. Available at SSRN: <http://ssrn.com/abstract=1511012>
doi:10.1016/S0883-9026(98)00012-3
- Bates, T. (2002). Restricted Access to Markets characterizes Women-owned Businesses. *Journal of Business Venturing*, 17, 313-324.
doi: 10.1016/S0883-9026(00)00066-5
- Becker-Blease, J. R., & Sohl, J. E. (2007). Do Women-owned Businesses Have Equal Access to Angel Capital? *Journal of Business Venturing*, 22, 503-521.
doi:10.1016/j.jbusvent.2006.06.003
- Bowen, D., & Hisrich, R. (1986). The female entrepreneur: A Career Development Perspective. *The Academy of Management Journal*, 11 (2), 393-406.
doi: 10.5465/AMR.1986.4283366
- Buttner, E. H., & Moore, D. P. (1997). *Women Entrepreneurs: Moving Beyond the Glass Ceiling*. Thousand Oaks: Sage Publications.
- Glazer, E. (2013, 5 13). *Danone Buys Organic Baby-Food Maker*. Retrieved 5 18, 2015, from The Wall Street Journal.
<http://www.wsj.com/articles/SB10001424127887324216004578479751407749688>
- Ioanidis, S., & Chatzichristou, S. (2012). *Entrepreneurship in Greece 2010-2011. The Small Entrepreneurship in Times of Crisis*. Athens: IOBE.
- Ismail, V. Y. (2014). The Comparison of Entrepreneurial Competency in Woman Micro-, Small-, and Medium-scale Entrepreneurs. *Procedia - Social and Behavioral Sciences*, 115, 175 – 187.
doi:10.1016/j.sbspro.2014.02.426
- Kalnins, A., & Williams, M. (2014). When do Female-owned Businesses Out-survive Male-owned Businesses? A Disaggregated Approach by Industry and Geography. *Journal of Business Venturing*, 29, 822-835.
doi:10.1016/j.jbusvent.2013.12.001
- Law 4308 on Greek Accounting Standards, G. A251/2014.

- Lofstrom, M., Bates, T., & Parker, S. C. (2014). Why are Some People More Likely to Become Small-businesses Owners than Others: Entrepreneurship Entry and Industry-specific Barriers. *Journal of Business Venturing*, 29, 232-251.
doi:10.1016/j.jbusvent.2013.01.004
- Mijid, N., & Bernasek, A. (2013). Gender and the Credit Rationing of Small Businesses. *The Social Science Journal*, 50, 55-65.
Available at SSRN: <http://ssrn.com/abstract=2381299>
<http://dx.doi.org/10.1016/j.soscij.2012.09.002>
- Nabi, G., Holden, R., & Walmsley, A. (2006). Graduate career-making and business start-up: a literature review. *Education + Training*, 48 (5), 373 – 385.
<http://dx.doi.org/10.1108/00400910610677072>
- National Women's Business Council. (n.d.). *Women-Owned Businesses* . Retrieved 5 18, 2015, from NWBC: <https://www.nwbc.gov/facts/women-owned-businesses>
- OECD Glossary of statistical terms. (n.d.). Retrieved 5 18, 2015, from OECD: <https://stats.oecd.org/glossary/detail.asp?ID=3123>
- Orhan, M., & Scott, D. (2001). Why women enter into entrepreneurship: an explanatory model. *Women in Management Review*, 16 (15), 232 – 247.
<http://dx.doi.org/10.1108/09649420110395719>
- Panteia. (2014). *Statistical Data on Women Entrepreneurs in Europe. Country Fiche: Greece*. European Commission. doi:10.2769/34288
- Pothering, J. (2014, 10 8). *How 'Happy Family' Became Healthy Baby-Food Pioneers*. Retrieved 5 18, 2015, from Entrepreneur:
<http://www.entrepreneur.com/article/244814>
- Rey-Martí, A., Tur Porcar, A., & Mas-Tur, A. (2015). Linking Female Entrepreneurs' Motivation to Business Survival. *Journal of Business Research*, 68, 810-814.
<http://dx.doi.org/10.1016/j.jbusres.2014.11.033>
- Richards-Gustafson, F. (2015). *Definition of Small-Scale Enterprise*. Retrieved 5 18, 2015, from Houston Chronicle: <http://smallbusiness.chron.com/definition-smallscale-enterprise-17652.html>
- Stevenson, H., & Jarillo, C. (1990). A paradigm of entrepreneurship: entrepreneurial management. *Strategic Management Journal*, 11, 17-29.
<http://www.jstor.org/stable/2486667>
http://link.springer.com/chapter/10.1007%2F978-3-540-48543-8_7
- Wharton, R., & Brunetto, Y. (2007). Women entrepreneurs, opportunity recognition and government-sponsored business networks: A social capital perspective. *Women in Management Review*, 22 (3), 187-207.
<http://dx.doi.org/10.1108/09649420710743653>
- Xavier, S. R., Ahmad, S. Z., Nor, L. M., & Yusof, M. (2012). Women Entrepreneurs: Making A change From Employment to Small and Medium Business Ownership. *Procedia Economics and Finance*, 4, 321 – 334.
doi:10.1016/S2212-5671(12)00347-4