



THE CENTER FOR  
WOMEN'S LEADERSHIP  
AT BABSON COLLEGE

## Navigating in Turbulent Times: 2008 Critical Issue Survey Report The Top Woman-Led Businesses in Massachusetts Research Project Nan S. Langowitz, DBA

Since 2000, the Top Woman-Led Businesses in Massachusetts research project conducted by The Center for Women's Leadership at Babson College in collaboration with The Commonwealth Institute has highlighted and studied the state's largest woman-led firms. This research has brought visibility to these companies, provided aspirational role models for other women leaders and entrepreneurs, and enhanced understanding about the nature of the opportunities and challenges that women CEOs face as they seek to grow and drive their businesses for the future.

For 2008, the research was re-focused to look at the critical issue of how these firms are navigating a turbulent economic environment. Past research has shown that the top woman-led firms of Massachusetts are dynamic and thrive in every industrial sector. These firms have also historically outperformed the statewide growth rate. Understanding how these CEOs are leading their firms forward may provide valuable insights to other company leaders.

The 2008 critical issues survey was released for participation for a six week period from early October to mid-November 2008. Sixty-two firms participated in the anonymous survey. This executive report is based on the survey data as well as follow up interviews with 14 chief executives who agreed to be contacted.

The firms participating in this research broadly span across industrial sectors with the greatest representation in the following areas:

Professional Services	31 percent
Construction	10 percent
Healthcare, Pharmaceuticals and Medical Products	10 percent
Retail	8 percent
Wholesale Products & Distribution	8 percent

The majority of firms (65 percent) responding to the survey employ 10-100 employees and 20 percent have 101-250 employees. Corresponding average annual revenues for firms of this size based on the 2006 research study would be \$12.9 million and \$24.2 million, respectively. The 2008 survey asked only for firm employment rather than revenues.

### Steering the Business

Chief executives were asked to name the top two things they had already put in place in their firms which were most valuable to steering their firms through the current business cycle. Their responses correspond to past research findings about the ways these firms have managed in years past. The client and customer base was the most valued choice for steering through the business cycle, 40 percent, followed by organization culture, 35 percent, and management team, 32 percent. (Note: Percentages do not add to 100 since respondents were asked to select their top two choices.) This corresponds to findings in the 2006 Results study (December 2007) in which 71 percent of CEOs said they expected to drive greater profitability by enhancing and extending customer relationships and 84 percent identified the acquisition of new clients and customers as the highest priority for driving future growth. The historic data from the Top Woman-Led Businesses in Massachusetts research project consistently shows that customer satisfaction and relationships have been a priority focus for women chief executives. Open-ended responses as well as follow up interviews indicate the client and customer base choice was valuable for some because it represented both diversification of the source of business demand, hedging the firm's revenue exposure to any one type of client, while for others it meant the achievement of customer intimacy such that the business was best able to align with customer needs, hedging the business risk of losing an order or an account.

Organization culture and management team were the next most frequently selected items that executives found valuable to navigating the turbulent times. This is not surprising given the focus on employee satisfaction (92 percent) and company culture (81 percent) found in the 2004 Results findings (December 2005) as the most important factors in running the business on a daily basis. Past research has also shown that women leaders focus carefully on building their management teams, emphasizing the need for a complementary set of skills and a comfortable fit among the senior managers. Supplemental survey and interview data shows that these business leaders rely on their organization culture, and their senior managers who are part and parcel of maintaining it, as the key to holding on to talent and boosting employee morale in an uncertain time. Manifestations of this focus on organization culture include: open and increased frequency of communication to build morale, visibility of the CEO and senior leaders among employees or across locations, sharing the financial status of the business, being positive but frank in communication style, creating strategies and training to help employees be more effective, sponsoring simple stress breaks and celebrating small wins.

The chief executives were also asked to identify what keeps them up at night. To no surprise, two sides of the same coin emerged from their responses. Maintaining profitability (52 percent) and rising business costs (32 percent) were cited most by CEOs, reflecting the pressing times of the economic downturn. The next two most frequent responses to this question however reveal the entrepreneurial nature of these women leaders. More than one-fifth of chief executives, 21 percent, were kept awake thinking about how to capitalize on the opportunity and 16 percent contemplated ways to re-focus the business model. (Note: Percentages do not add to 100 since respondents were asked to select their top three choices.) Indeed in open-ended responses and follow up interviews many chief executives expressed that as they look for ways to capitalize on the opportunities they are doing so in conjunction with rethinking their business model. Lines of business may potentially be merged for greater impact and new cross-selling opportunities; new niches can be found that exploit a previously undisclosed characteristic of a product or service; moving to a vendor-supplied core material frees up the opportunity to focus on expanding other parts of the business. And of course some chief executives are anticipating that weak competitors will falter leaving customers to be gained or that economic conditions will favor improved terms on leases, access to

talent, or strategic alliances, acquisitions and partnerships.

The entrepreneurial focus of the woman-led firms comes through clearly when looking at the three steps CEOs identified as those they were actively taking to steer their businesses through the business cycle. The perennial focus on growth seen in past research is in evidence with their responses. The majority of chief executives (69 percent) cited push marketing and sales of existing products and services as an active step to navigate through troubled times. Adding new products and services (38 percent) was the second most frequently cited step, again reflecting the focus on building revenue opportunities. Strategic partnerships and alliances (38 percent) and re-focusing on higher margin products and services (34 percent) reflect chief executives interest in creating growth in profitable areas and sharing costs to achieve greater potential profit as well as market reach.

On the cost side of the equation, chief executives were asked to identify the three cost areas on which they are most focused. People-related costs led for attention, followed by the costs associated with production and sales. The cost of providing health insurance benefits was the most frequently cited area of focus (42 percent), followed by salaried labor costs (38 percent), wage labor costs (33 percent); next were the cost of materials (26 percent) and advertising and marketing costs (26 percent). (Note: Percentages do not add to 100 since respondents were asked to select their top three choices.)

### **Guiding Philosophy**

The guiding philosophy chief executives of the top woman-led firms have relied upon includes a focus on business basics as well as leadership essentials. From the standpoint of the business, CEOs frequently point to understanding what allowed their companies to grow and re-evaluating how to use that core capability going forward. For some this means a “back to basics” approach, in which they work hard on making sure their products are the best, with the best delivery system, for their customers. Re-thinking the process by which the company grew allows them to find inefficiencies that can be corrected and waste that can be eliminated to drive toward profitability. In essence this is a form of capitalizing on the opportunity. For other CEOs, back to basics involves careful cash and receivables management, new accountability for employees, pulling in outsourced services, re-

negotiating pricing with customers and vendors, and a re-doubled focus on basic financial and cost management principles. A final aspect of the back to basics approach is the value these executives place on the firm's reputation and integrity. Many feel that maintaining the firm's integrity to offer a great product, to care for customers, and to operate with high standards for employees is an essential element of their business success.

From a leadership perspective, CEOs are guided by the desire to be positive standard bearers for their firms. They work to over-communicate and be transparent with employees and lead by example in terms of cost cutting, extra work effort, and sometimes even pay cuts. They are well aware that all eyes are on them and their attitude, and work to energize their staff with a positive vision while being frank about the conditions the firm faces. Staying calm while being proactive is another aspect of the management philosophy that guides many of the CEOs; many recognize that appearing confident and acting decisively is important to employee morale. These executives also often reach out to employees for their support and suggestions as part of their leadership initiative.

Overall, the chief executives of the top woman-led firms in Massachusetts are weathering this storm. The typical CEO has seen at least one previous downturn and many had already begun to put plans in place in the past year in anticipation of a recessionary environment. It is also helpful that most of these firms predominantly operate with low or no debt, financing operations through cash flow or standing credit lines with banks who are long term partners. As a result, while times may be challenging, many firms are well-prepared from past experience and are able to take decisive action to limit liabilities and increase revenue opportunities. The top woman-led firms in Massachusetts are finding the silver linings in these turbulent times and positioning themselves to emerge stronger and to win in the long run.

### **Research Methodology**

*The Top Woman-Led Businesses in Massachusetts* research project is a longitudinal study of woman-led businesses in Massachusetts begun in 2000. The study's database has tracked over 1400 companies identified as woman-led businesses in Massachusetts. To qualify for the study, the firm's chief executive, defined as the senior executive decision maker of the firm, must be a

woman and the business must be headquartered in Massachusetts. Furthermore, the business must be either an independent business or a legal subsidiary of a larger corporation. Medical, law, and banking firms were excluded, as were not-for-profit organizations. Titles of the senior decision maker vary across the companies; however, in all cases, the executive has reported that she is the senior decision maker. All data is self-reported by the chief executives.

Prior research surveys were designed to confirm basic information about woman-led companies as well as the trends and business issues that they currently face. A Top 100 listing of woman-led firms has been compiled in previous years based upon reported annual revenues. Companies in industries such as real estate and travel, among others, typically report revenues in terms of aggregate value of sales or billings; as there is no commonly accepted method for adjusting revenues in such industries to reflect actual fees and commissions, the Top 100 listing has been based on the reported revenue number provided by the firms, without adjustment by industry. Another limitation of this listing is that some firms prefer not to divulge revenues, despite their interest in the research; in such cases, there are firms who would otherwise qualify as a top firm who remain unlisted.

For 2008 a critical issues survey was developed to gauge woman-led firms experience on a specific issue challenging chief executives. This brief survey included six questions regarding how firms are responding to the economic downturn. The critical issues survey was anonymous and did not ask for annual revenues. The critical issues survey was mailed to all CEOs who continued to lead firms that were on prior years' Top 100 lists (2000 and 2002 through 2006; lists were not developed for 2001 and 2007). The survey was sent to 183 chief executives with 62 responding, yielding a 34 percent response rate. In addition, the survey asked CEOs for their willingness to be interviewed and to provide contact information for that purpose. Thirty-four CEOs offered to be interviewed and 14 interviews, 41 percent, were conducted to validate interpretation of the survey results.

**The Top Woman-Led Businesses in Massachusetts research project includes the following reports:**

“Navigating in Turbulent Times: 2008 Critical Issue Survey Report,”  
Nan S. Langowitz, executive summary, December 2008

“The Top Woman-Led Businesses in Massachusetts: 2006 Results,”  
Nan S. Langowitz and I. Elaine Allen, executive summary, December 2007

“The Top Woman-Led Businesses in Massachusetts: 2005 Results,”  
Nan S. Langowitz and I. Elaine Allen, research monograph, October 2006

“The Top Woman-Led Businesses in Massachusetts: Lessons from 2000 to 2004,”  
Nan S. Langowitz and I. Elaine Allen, research monograph, December 2005

“The 2003 Top Woman-Led Businesses in Massachusetts,”  
Nan S. Langowitz, research monograph, December 2004

“The Top Woman-Led Businesses in Massachusetts: 2002 Results,”  
Nan S. Langowitz, research monograph, November 2003

“The Top Woman-Led Businesses in Massachusetts,”  
Nan S. Langowitz, research monograph, February 2002

All reports are available online at [www.babson.edu/cwl](http://www.babson.edu/cwl)

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