

Women And Men In Entrepreneurship

Author: **Silvia Popescu**¹, Associate Professor, Ph.D, Economics Faculty " Titu Maiorescu " University, Postdoctoral researcher, Faculty of Management and Business, University of Bucharest, Romania, e-mail:silvipopescu@gmail.com

This paper of female entrepreneurship has been inspired by gender equality issues. Today research and policy have been more and more fuelled by the idea that female entrepreneurs are important for economic progress. Female entrepreneurs were assumed to experience gender-related discrimination and to experience more difficulties when starting up and running a business than their male counterparts. Even when issues such as barriers and obstacles to female entrepreneurs are raised in the gender and entrepreneurship debate, this is usually done from the perspective that female entrepreneurs are an untapped resource and have potential to contribute to a country's economic performance. Indeed, although gender equality is one of the arguments underlying the support for female entrepreneurs within the European Union, the argument that female entrepreneurs (have the potential to)contribute to economic performance continues to play a role here. The global growth of female entrepreneurship in the last decades has been accompanied by an increase in the number of studies on female entrepreneurship.

Keywords : *Managing diversity, female entrepreneurship, economic performance, gender differences, entrepreneurial diversity*

¹ This work was supported by the strategic grant POSDRU/89/1.5/S/62259, Project "Applied social, human and political sciences. Postdoctoral training and postdoctoral fellowship in social, human, and political sciences" cofinanced by the European Social Fund within the Sectorial Operational Program Human Resources Development 2007-2013.

Introduction

In the present thesis there is an implicit assumption that studying gender differences is important. However, several arguments have been brought forward why the study of gender differences in entrepreneurship would *not* be very useful. A related argument is that the differences *among* women and *among* men are larger and more important than those *between* women and men, and accordingly, that research should focus upon these intra-group (or in-group) differences instead of intergroup (or between-group) differences (e.g., Kimmel, 2000; Ahl, 2002). In this respect, Moore (1999, p. 388) advocates that: “*It is time to stop clumping entrepreneurs together in one group. Much is to be learned by studying women entrepreneurs as members of various groups*”. Also, there are likely to be differences between female entrepreneurs of different generations. Moore (1999) distinguishes between ‘traditionals’ (i.e., female entrepreneurs with traditional values, adhering to stereotypical female work roles) and ‘moderns’ (i.e., later generation female entrepreneurs who are more similar to than different from their male counterparts other words, there may be a generation effect which outweighs the gender effect, where female entrepreneurs from earlier generations are different from those of later generations. Indeed, over time gender differences have become less pronounced. We see a gender convergence rather than divergence, and women and men nowadays are far more alike than they were some decades ago (Kimmel, 2000). Obviously, there will be a range of other factors including age, educational background, firm size and sector, that may be more important in explaining differences between entrepreneurs than gender¹. The present paper incorporates studies on gender differences in entrepreneurship, spanning different aspects of entrepreneurship at different levels of analysis, including the individual, the organization and the environment

The Economic Contribution of Female Entrepreneurship

Measuring Female Entrepreneurship

There are different ways in which female entrepreneurship (whether in established businesses or in new venture creation) can be measured. First,

¹ Brush (1992, p. 13) refers to research indicating that women business owners differ with respect to the ‘individual’ dimension depending upon a woman’s age (see Kaplan, 1988) and the location of the business (see Holmquist and Sundin, 1988).

one can investigate the number of female entrepreneurs per (female) labor force (i.e., female entrepreneurial activity). Second, one can have a look at the female share in total entrepreneurial activity (i.e., female entrepreneurial participation). Whereas the first measures female entrepreneurship vis-à-vis the number of women in the labor force, the second measures female entrepreneurship vis-à-vis the total number of entrepreneurs. This paper will discuss female entrepreneurship from both perspectives, also distinguishing between self-employment and new venture activity². Because female entrepreneurship rates are not similar across countries, the present section also touches upon some country differences, but this is not the main focus of the present section³. Although it is interesting to see where cross-country differences in female entrepreneurship come from, at the end of the day a more important question (in particular for policy makers) is whether these differences lead to variation in economic performance across countries. Hence, special attention is paid to the relationship between female entrepreneurship and economic performance.

Entrepreneurial Diversity, Economic Performance and Gender

The present thesis it is assumed that female and male entrepreneurs have a different profile, e.g., they have a different way of doing business and start and run different types of firms. Thus, female entrepreneurs can contribute to the diversity in entrepreneurial activity and economic performance by way of their distinctive characteristics. In terms of products and services it may be argued that female entrepreneurs tend to operate in niche markets. Female entrepreneurs often pursue a specialization strategy offering tailor-made goods and services (Chaganti and Parasuraman, 1996). Assuming that tailor-made products and services are different from other products offered within the industry, it can be said that female entrepreneurs offer new non-competing or complementary products, insulating them from competition. Because over time consumer demand has become more versatile (Brock and Evans, 1989), niche markets have become more important, i.e., diversity in demand has to be

² Self-employment here refers to business owners (i.e., employers and own-account workers), excluding venture activity is measured in terms of Total Entrepreneurial Activity (TEA) as proposed by the Global Entrepreneurship Monitor (GEM). TEA refers to the share of people in the adult population (aged 18-64 years old) who are actively involved in starting a new business or in managing a business that is less than 42 months old (Reynolds et al., 2002, p. 5). Hence, whereas self-employment is a measure of established businesses, TEA can be seen as a measure of new venture activity

³ Several factors may account for these differences in entrepreneurship rates, including technological, economic, demographic, institutional, and policy factors. It is outside the scope of this introduction to further investigate the origin of country differences in total and female entrepreneurial activity

met by diversity in supply of goods and services. From this perspective it may be important to stimulate female entrepreneurship, in particular as at present the share of women in entrepreneurial activity is still below 50 percent. Hence, stimulating female entrepreneurship may be a way to increase entrepreneurial diversity.

Overview of gender differences in entrepreneurship

Within entrepreneurship research, female entrepreneurship can be considered a 'separate' field of study⁴. Researchers focusing upon the issue of female entrepreneurship have traditionally been female, and still continue to be⁵. In general entrepreneurship researchers appear to have become more aware of the possibility of gender differences, and gender is increasingly used as a control variable. To give an overview of the many studies undertaken in the area of gender issues in entrepreneurship, this section builds upon review articles by Brush (1992), Ahl (2002) and a review of studies identified in Gatewood et al (2003). The aim is not to provide a full picture of research in the area of female entrepreneurship, but rather to give the reader an idea of the state of research on gender issues in entrepreneurship. The subject of the present thesis is situated at the intersection of two broad fields of study: entrepreneurship and gender. Research on female entrepreneurship can be structured around different themes. Brush (1992) uses Gartner's (1985) framework distinguishing between four key components of new venture creation: individual, process, organization, environment⁶. Here the same classification is used discussing

4 Based on the number of researchers involved in female entrepreneurship research, the special issues in entrepreneurship journals (such as those in the journals *Entrepreneurship Theory and Practice*, and *International Journal of Entrepreneurial Behaviour and Research*, planned for 2005 and 2004, respectively), the Diana project (an international research consortium, consisting of renowned scholars in the field of female entrepreneurship), collected series of female entrepreneurship studies in books or edited volumes (e.g., *International Handbook of Women and Small Business Entrepreneurship*, edited by Fielden and Davidson), and the fact that gender or women in entrepreneurship has been a separate issue in the *Proceedings of the Babson Kaufmann Entrepreneurship Research Conference, Frontiers of Entrepreneurship Research*, from 1996 onwards (with the exception of the year 2000).

5 This is shown by the overrepresentation of female researchers and contributors within the Diana project; the gender section of several issues of *Frontiers of Entrepreneurship Research* and the *International Handbook of Women and Small Business Entrepreneurship*

6 Gartner's (1985) framework for new venture creation distinguishes between four key components of new venture creation and ownership: *individual* (e.g., demographics, education, experience, psychological characteristics of the entrepreneur), *process* (referring to activities of an entrepreneur, including opportunity recognition, resource accumulation, venture creation and sustenance), *environment* (referring to the interaction between entrepreneur and his/her environment, including availability of resources, government regulation and support, industrial structure, urbanization) and *organization* (referring to firm characteristics, including strategic decision-making, organizational structure, business profile).

gender differences with respect to the different subjects within the field of entrepreneurship⁷.

Most studies on female entrepreneurship focus upon the individual, covering topics such as motivations, demographics and background characteristics (such as education and experience). Up to the early 1990s research on female entrepreneurship identified gender differences with respect to individual characteristics. Brush (1992; p. 13) concludes that: *“women business owners are more different from than similar to men in terms of individual level characteristics such as education, occupational experience, motivations, and circumstances of business start-up/acquisition”*. However, contemporary research indicates that for a range of individual characteristics (including psychological, attitudinal and personal background factors) there are more similarities than differences between female and male entrepreneurs (e.g., Ahl, 2002). With respect to research intensity, the ‘individual’ studies are followed by studies on the environment, organization and process of entrepreneurship, respectively (Ahl, 2002)⁸. In particular the number of studies dealing with environmental aspects has increased since the early 1990s. The process of starting up and running a business as well as environmental influences on entrepreneurial activity seem relatively similar for female and male entrepreneurs (e.g., Ahl, 2002). However, in terms of organizational characteristics businesses of women have been found to be more different from than similar to businesses of men. In particular, this is found for sales volumes, management styles, goals, and the acquisition of start-up capital (Brush, 1992). Ahl (2002) finds that the scarce research (usually studies with few observations) focusing upon organization refers to a distinctive (relational) management style of female entrepreneurs as compared to that of male entrepreneurs. The most consistent gender differences are found for firm size and sector, where businesses of women are on average smaller than those of men (whether measured in terms of financial indicators or employees) and with female entrepreneurs being more likely to operate retail or service firms. In addition to studies that fall into one of the categories – individual, organization, environment, and process – there are studies that

⁷ It should be noted that the use of the components of new venture creation as proposed by Gartner (1985) may not be ideal. The components of new venture creation are by no means exclusive. For instance, the process of new venture creation may not easily be disentangled from the entrepreneur, the organization and its environment (Steyaert, 1995).

⁸ As Ahl (2002, p. 97, footnote 1) argues: *“the general tendency of focusing on the individual remained, with over half of the papers in this category”*. *“The rest were divided about equally between the other three headings ...”*.

are more comprehensive, taking into account and covering several aspects at the same time. For example, studies classified as mixed studies include overview articles and articles investigating individual and firm performance⁹. In her review of performance articles, Ahl (2002) argues that the topic of firm performance has become more popular in female entrepreneurship studies in the past decade. Until the early 1990s this topic did not receive much attention. Discussing performance differentials between businesses of female and male entrepreneurs, Ahl¹⁰ (2002, p. 108) argues that “*The ‘female underperformance hypothesis’ did not hold when put to rigorous tests accounting for structural factors*”. And if preferences are taken into account there appears to be no support for the proposed gender differences in entrepreneurial performance. With respect to the particular subjects dealt with within each of the categories, it can be said that environment studies mostly focus upon resource availability and (to a lesser extent) support structures for female entrepreneurs. The organization studies emphasize business profile characteristics, such as sector, firm size and age. Process studies tend to focus upon the process of new venture creation, including topics such as networking and resource acquisition. In addition, most studies within the area of performance differentials focus upon firm performance. Although individual studies in the area of female entrepreneurship have a broad focus, they tend to focus upon

Perspectives on Gender Differences

Nature versus nurture

There are two basic schools of thought proposing different reasons for the existence of gender differences (in general): *biological determinism* (referred to as nature) and *differential socialization* (referred to as nurture), the latter of which has served as input for the social feminist perspective. Biological arguments for gender differences generally draw upon three streams of research, including evolutionary theory, brain research and endocrinological research on sex hormones. The implication of the biological determinism

⁹ Because performance may not necessarily be classified as a component of new venture creation, but rather may be considered a consequence of new firm creation, its classification is not straightforward. This may also be the reason why Brush (1992) does not explicitly discuss female entrepreneurship studies from the perspective of performance. Nevertheless, when outlining directions for future research Brush (1992) argues that each of the suggested research areas should be studied also in combination with its effects on performance.

¹⁰ Ahl (2002) refers to divergent definitions of what constitutes an entrepreneur, heterogeneous samples and inaccurate referral practices

perspective is that because differences between women and men are attributed to their different biological nature, one automatically assumes that the existing societal arrangements between women and men are inevitable, dismantling the need for policy intervention and support structures. Social scientists refute the perspective that innate biological differences lead to behavioral differences which – in turn – construct the social, political and economic environment. They argue that gender inequality in society leads to observable differences in behaviors, attitudes and traits. The differential socialization school of thought assumes that women and men are different because they are taught to be different. In essence both the biological determinism perspective and the socialization view assume that women and men behave differently, and that they are different from each other. Moreover, both streams of thought assume that the differences between men and women are greater and more decisive (and therefore more worthy of study) than the differences within groups of women and men¹¹.

Social versus liberal feminism

The identified gender differences in entrepreneurship research have been explained in different ways, either assuming that women and men are different from each other or that they are in essence the same and the environment causes them to behave in different ways. These perspectives are consistent with the *social* and *liberal* feminist perspective, respectively (Fischer et al., 1993). According to the social feminist perspective gender differences in entrepreneurship are due to differences in early and ongoing socialization. Hence, female and male entrepreneurs are inherently different, giving rise to different ways of viewing the world and, accordingly, different ways in which entrepreneurship is practiced. The liberal feminist perspective argues that in essence women and men are the same and that female entrepreneurs experience more problems or structure their firms in a distinct way (as compared to male entrepreneurs) because they are confronted with unequal access to resources and gender-based discrimination. To summarize, both perspectives expect female and male entrepreneurs to behave in a different way, either determined by situational differences and/ or barriers (liberal feminism) or by dispositional differences and/or barriers (social feminism). A different way of explaining gender differences in entrepreneurship is by investigating situational factors

¹¹ Also, these schools of thought assume that gender domination (males over females) is a result of gender differences (Kimmel, 2000, p. 4).

that are correlated with gender. Female and male entrepreneurs may behave in the same fashion, provided they have the same personal and business profile. For instance, because female entrepreneurs tend to have smaller firms, their firms are characterized by different performance rates and organizational structure. This perspective on studying and explaining gender differences may be more similar to than different from the two perspectives proposed above. Indeed, differences in the personal and business profile of female and male entrepreneurs may be explained by situational or dispositional differences.

Conclusions

The present thesis shows that female and male entrepreneurs differ significantly with respect to a range of aspects of entrepreneurship. The studies show that there is evidence of gender differences in entrepreneurship both at the macro and the micro level. At the macro level the present thesis shows that there is some evidence of a positive relationship between female entrepreneurship (vis-à-vis male entrepreneurship) and economic performance at both the regional and country level¹². With respect to the determinants of entrepreneurship at the macro level it is found that the factors influencing female and male entrepreneurship are similar rather than different. Most of the factors that influence entrepreneurship in general, also influence female entrepreneurship. However, differential effects have been found for unemployment and life satisfaction, suggesting that the female *share* in self-employment is influenced by those factors. At the micro level most of the gender differences are attributable to indirect effects, although some evidence has also been found for *direct* gender effects. Even though most of the micro-level studies find some evidence for the existence of direct gender effects, these may be residual effects that exist because it is virtually impossible to take into account all factors that influence entrepreneurship. The present thesis has studied the characteristics of the *average* female entrepreneur, the profile of which has been described in one of the previous paragraphs. However, it may be that new generations operate their businesses in a different way than older generations of female entrepreneurs. It is therefore interesting to investigate the (differences in) profile of younger and older female entrepreneurs. In general, the information on female entrepreneurship can be enriched by investigating different types

¹² However, the exercises do not take into account a range of other factors influencing economic performance. In particular, the share of the service sector

of female entrepreneurs in addition to the average female entrepreneur. For example, part-time versus full-time female entrepreneurs; married versus single female entrepreneurs; female entrepreneurs with and without children; and women running service versus production firms. Distinguishing between different types of female entrepreneurs also enables the comparison with male entrepreneurs in similar circumstances. Furthermore, this thesis has studied gender diversity in entrepreneurship in terms of individual and business characteristics. Most of the studies deal with business structuring and the input side of the business, focusing upon time investments, financial structure, (human resource) management, and organizational structure. The output side has not been investigated and, although there have been several studies investigating performance differentials between businesses of women and men, there is still need for further research. First, research should explore the type of output female entrepreneurs produce and the extent to which these are unique and contribute to entrepreneurial diversity. For example, because female entrepreneurs tend to pursue combinations of goals, they may also be more likely to engage in social entrepreneurship. Second, we have seen that businesses of women tend to be small, and are less likely to experience growth. Arguing that female entrepreneurship is important for economic performance thus seems a paradox. Future research may be able to unravel this paradox by focusing both upon the quantitative and qualitative contribution of (female) entrepreneurs. To summarize, the relations between female entrepreneurship, entrepreneurial diversity and economic performance should be further explored in empirical studies. Measurement issues are crucial here as female entrepreneurship can be measured in different ways. If the aim is to investigate the link between entrepreneurial diversity and economic performance, researchers should take the female share in entrepreneurial activity (as a measure of entrepreneurial diversity) as a starting point. Using female entrepreneurial activity rates (measured vis-à-vis the labor force) is likely to only establish a link between entrepreneurial activity and economic performance, as countries with relatively high total entrepreneurial activity rates also tend to be characterized by relatively high female entrepreneurial activity rates. Finally, future research on gender issues in entrepreneurship should explore different ways of approaching and measuring gender. In the present thesis gender is measured by way of biological sex. In this way sex and gender coincide.

References

- [1] Ahl, H.J., *The making of the female entrepreneur, A discourse analysis of research texts on women's entrepreneurship*, (JIBS Dissertation Series 015, Jönköping University, 2002).
- [2] Brock, W.A. and D.S. Evans, *Small business economics*, (Small Business Economics 1, 1989).
- [3] Brush, C.G., *Research on women business owners: past trends, a new perspective and future directions*, (Entrepreneurship: Theory and Practice 16 (4), 1992).
- [4] Brush, C.G. and R.D. Hisrich, *Women-owned businesses: why do they matter?*, in: Z.J. Acs, *Are small firms important? Their role and impact*, (U.S. Small Business Administration, Kluwer Academic Publishers, 1999).
- [5] Chaganti, R. and S. Parasuraman, *A study of the impacts of gender on business performance and management patterns in small businesses*, (Entrepreneurship: Theory and Practice, Winter 1996).
- [6] Fischer, E.M., Reuber, A.R. and L.S. Dyke, *A theoretical overview and extension of research on sex, gender and entrepreneurship*, (Journal of Business Venturing 8 (2), 1993) .
- [7] Fischer, M.L. and H. Gleijm, , *The gender gap in management: a challenging affair*, (Industrial and Commercial Training 24 (4), 1992).
- [8] Gartner, W.B., *A conceptual framework for describing the phenomenon of new venture creation*, (Academy of Management Review 10 (4), 1985).
- [9] Gartner, W.B., *What are we talking about when we talk about entrepreneurship?*, (Journal of Business Venturing 5 (1), 1990).
- [10] Kimmel, M.S., *The Gendered Society*, (New York/Oxford: Oxford University Press, 2004).
- [11] Moore, D.P., *An examination of present research on the female entrepreneur – suggested research strategies for the 1990s*, (Journal of Business Ethics 9 (4/5), 1990).