Gender Issues in Entrepreneurship
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Maria Minniti

Cox School of Business
Southern Methodist University
Dallas, TX 75275-0333
USA
mminniti@cox.smu.edu
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Gender Issues in Entrepreneurship

Maria Minniti

Department of Strategy, Entrepreneurship & Business Economics, Cox School of Business, Southern Methodist University, Dallas, TX 75275-0333, USA; mminniti@cox.smu.edu

Abstract

Entrepreneurship is a human universal. All over the world, and throughout history, people have created businesses. Yet, although women make up more than 50 percent of the world population, they own and manage significantly fewer businesses than men. Venture types and management styles vary across genders as well. Women entrepreneurship presents several distinctive characteristics that differentiate it from men entrepreneurship. But variations exist also across women entrepreneurs in various countries, and between women who are involved in entrepreneurship and those who are not. Overall, the explanation for the behavior of women entrepreneurs and its distinctiveness is complex and multifaceted. Evidence to date suggests that reasons contributing to explaining these differences include demographic and socio-economic variables, subjective perceptions, and cultural factors and institutions, and that such differences have significant implications at the macro-economic level. Studying female entrepreneurship allows researchers to ask questions that shed light on the linkages

Many thanks go to Patti Greene for her detailed and insightful comments and to the GEM Consortium for allowing use of the data. All errors are mine.
between entrepreneurship and wealth creation, employment choices and cognition, human capital accumulation and labor market structure, employment choice and family dynamics, business creation and peace, and many others. From a scientific point of view, the study of female entrepreneurship as a distinct area of inquiry informs us not only about women behavior, but also about entrepreneurial and human behaviors in general. All over the world, female entrepreneurship has become an important component of academic and policy conversations around entrepreneurship. Still, there is much we don’t yet understand. Taking stock of what has been learned so far, identifying the main gaps, and encourage scholars to push the frontier of knowledge in this area further are the goals of this work.
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The role played by gender on entrepreneurial behavior has become an important component of academic conversations around entrepreneurship, and recent years have seen an increasing number of studies focus on female entrepreneurship.\(^1\) This trend is not limited to the United States. The number of international studies has also grown rapidly to examine questions related to the launch and growth of women-owned businesses, and several cross-country comparisons of female entrepreneurship have been conducted.\(^2\) The goal of this monograph is to review the lessons provided by this literature, take stock of what we have learned so far, and identify unanswered questions deserving of further inquiry.

\(^1\) In the last three years only, for example, *Entrepreneurship: Theory and Practice*, *Entrepreneurship and Regional Development*, the *Journal of Small Business*, the *Venture Capital International Journal*, and the *International Journal of Small Business*, all have dedicated special issues to female entrepreneurship.

\(^2\) The last 15 years, for example, have seen the emergence of large longitudinal cross-country projects aimed at providing comparable data on entrepreneurship. Among them are the Global Entrepreneurship Monitor (GEM) project, the Panel Study of Entrepreneurial Dynamics (PSED), and the Diana project.
Entrepreneurship is a characteristic of human behavior consisting in the identification and realization of new ends-means frameworks (Kirzner, 1973, 1979, 1997). Thus, entrepreneurship is a human universal. All over the world, and throughout history, people have created businesses. As Mises (1949) puts it, entrepreneurship is a characteristic of human action, and entrepreneurs are found everywhere and under all conditions. Baumol (1990), for example, argued that entrepreneurs can be found in all economies and that the major differences across countries are not based on different supplies of entrepreneurs, but on the different allocations of entrepreneurial talent between productive and unproductive entrepreneurship. But if entrepreneurship is a human universal, is there a real gender issue in entrepreneurship? The answer is yes (Birley, 1989; Kepler and Shane, 2007).

Although women make up more than 50 percent of the world population, across countries, they own and manage significantly fewer businesses than men (Georgellis and Wall, 2005; Kim, 2007). Why would that be true? Is it because women are less active than men in creating new ends-means frameworks and, perhaps, endowed with lower entrepreneurial talent (whether productive or unproductive) than men? And are women entrepreneurs different from other women? From a scientific point of view, the study of female entrepreneurship as a distinct area of inquiry is legitimate, because women entrepreneurship presents several distinctive characteristics that differentiate it from men entrepreneurship. Thus, in addition to inform us about women behavior, studying female entrepreneurship contributes to our understanding of entrepreneurship and human behavior in general. Studying female entrepreneurship allows researchers to ask questions that shed light not only on why women behave the way they do but also on the linkages between entrepreneurship and wealth creation, employment choices and cognition, human capital accumulation and labor market dynamics, and many others.

Kirzner’s definition of entrepreneurship provides a theoretical umbrella capable of reconciling a broad array of disciplinary approaches to, and empirical evidence about, the entrepreneurial phenomenon. In addition to Kirzner’s own works, for a discussion of Kirzner’s view of entrepreneurship in the context of recent entrepreneurship research, see Koppl and Minniti (2003).
Earlier in the introduction, I defined entrepreneurship as a pervasive characteristic of human action. While justifying the study of female entrepreneurship, however, I argued in terms of self-employment and new business creation. Although this may seem counterintuitive, there is no contradiction. Clearly, self-employment and new business creation are but a small subset of the array of human behaviors constituting entrepreneurship. They are, however, the most common way in which entrepreneurship is operationalized, often because of the difficulty to obtain more adequate data. Moreover, self-employment and new business creation are two aspects of entrepreneurship with the most relevant economic impact. Thus, in this monograph, and consistently with the literature, female entrepreneurship will refer primarily to self-employment and or the creation and management of new ventures by women.

What are the stylized facts we have learned from the last 30 years of research on women self-employment and new business creation? We now know that significantly fewer women than men own and manage businesses worldwide (Devine, 1994a, 1994b; Georgellis and Wall, 2005; Kim, 2007). Why? The answer could be that women fail more often than men or that fewer women than men start businesses to begin with, or both. However, some evidence exists that, after correcting for factors such as size of the business and sectoral distribution, women’s failure rates are not significantly different from those of men (Kalleberg and Leicht, 1991; Kepler and Shane, 2007; Perry, 2002). Thus, at least a portion of the difference between genders must be due to the fact that fewer women than men start businesses. In addition, we know that women’s businesses tend to be smaller and to grow less than those owned by men (Coleman, 2007; DuReitz and Henrekson, 2000). Does this mean that women are less entrepreneurial than men? And if so, why?

Evidence to date suggests that a variety of reasons contribute to explaining observed differences in entrepreneurial behavior across gender and that such differences have significant implications at the macroeconomic level (Minniti et al., 2006a). Perhaps women and men have different socio-economic characteristics and, if we were to correct for factors such as education, wealth, family, and work status, those differences would disappear. Indeed, quite a bit of empirical evidence
shows that such differences exist (for example, see Blanchflower, 2004; Cowling and Taylor, 2001; Minniti et al., 2005, among others). Also, women tend to possess fewer years of experience than men (Aronson, 1991; Lee and Rendall, 2001; Kepler and Shane, 2007) and tend to concentrate in different sectors (Allen et al., 2007; Coleman, 2000; Orser et al., 2006). In addition, the propensity of women to start a business may differ from that of men for cultural reasons such as discrimination (for example, see Neumark and McLennan, 1995). One could even argue that men and women have different preferences and that women like being self-employed less than men do (Kanazawa, 2005). The businesses owned and managed by men and women are also different. Women’s businesses tend to be less profitable than those of men (Robb and Wolken, 2002) and to generate lower sales turnover than men, even in same industry comparisons (Chaganti and Parasuraman, 1996).

The explanation for the behavior of women entrepreneurs and its gender-related distinctiveness is complex and multifaceted. It also fills important gaps in our understanding of entrepreneurial behavior in general. Indeed, a common finding among gender comparative studies is that there are more similarities than differences between male and female entrepreneurs in terms of traits, motivations, and success rates (Buttner and Rosen, 1989; Fagenson, 1993; Sexton and Bowman-Upton, 1990; Kalleberg and Leicht, 1991). Thus, a central message of this monograph is that existing theoretical concepts should be expanded to incorporate the distinctiveness of women entrepreneurship, while inability to account for it should indicate their theoretical inadequacy. As Greene et al. (2006) suggest, what we need is more research on women entrepreneurship, not a separate theory. Taking stock of what has been learned so far about female entrepreneurship, identifying the main gaps, and encouraging scholars to push the frontier of knowledge in this area further are the goals of this review of the literature.

Overall, women entrepreneurship matters. It matters for individuals, it matters for communities, and it matters for countries as well. In the United States, in recent years, the rate of new business formation by women has outpaced significantly the rate of new business formation by men across all ethnic groups (CWBR, 2004).
And in 2006, the Norwegian Nobel Committee awarded the Nobel Peace Prize to Muhammad Yunus and his Grameen Bank for the significant reduction of poverty achieved through women-led microenterprises in Bangladesh. While it is beyond the scope of this monograph to be prescriptive about policy recommendations, it is clear that understanding differences and commonalities across individuals is an important step in understanding entrepreneurship, as well as its causes and effects, and their potential implications for policy.

The rest of this monograph will review works on women entrepreneurship and build upon existing literature in various disciplines (economics, psychology, sociology, anthropology, etc.) to show that observed differences in the rate of new business creation across genders not only rest on cultural and socio-economic conditions, but also on the fact that women and men tend to have different perceptions of their business environments. Among other things, this monograph will consider the macroeconomic implications of female entrepreneurship. This monograph will then review issues related to the division of labor within families and their implications for the employment decisions of women, as the linkage between family role and work status is likely to be one of the most important determinants of women’s entrepreneurial decisions (Parker, 2009). In fact, being married and having children has different consequences for men and women since, owing to specialization in household production, women are less able to participate in labor market (Cowling and Taylor, 2001). Also, this monograph will review gender differences in management styles, financing, and networking. Finally, and most importantly, this monograph will identify gaps in the literature and suggest areas where further research is needed.

Because of the large quantity of work produced in recent years in a variety of disciplines, this monograph does not attempt to provide a complete review of the literature. However, this monograph does

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4 On October 13, 2006, the Norwegian Nobel Committee awarded the Nobel Peace Prize to Muhammad Yunus and the Grameen Bank for their efforts to create economic and social developments. According to the Nobel Committee’s presentation speech: “Lasting peace can not be achieved unless large population groups find ways in which to break out of poverty. Micro-credit is one such means. Development from below also serves to advance democracy and human rights.”
identify the main topics in each area and the related streams of research, and an effort has been made to provide ample references from a variety of disciplinary perspectives. Thus, this monograph provides a well-round starting point for people interested in learning the scope and depth of the field as well as for people who want to deepen their knowledge of any specific topic within the field.

The rest of this monograph is organized as follows: Section 2 will present a brief history of the field, describe some of the linkages between historical events and academic research, and identify some of the academic contributions that shaped research in the area. Section 3 will present some descriptive empirical evidence about female entrepreneurship worldwide and identify cross-country similarities and differences. Section 3 will discuss the theory and empirical evidence on broad macroeconomic issues, ranging from the way the economy influences entrepreneurial choices of women to the way in which, in turn, female entrepreneurs affect the economy and well-being of a country. Sections 5–7 will review in detail the main topics and works focusing on female entrepreneurship at the individual level. Specifically, Section 5 will discuss theory and evidence related to objectively measurable variables such as age, education, and income. Section 6 will discuss theory and evidence related to subjective and often biased perceptions such as fear of failure and opportunity perception, and Section 7 will focus on environmental variables such as networks and social capital. Section 8 will discuss theory and evidence on the relationship between female entrepreneurship and the family. Section 9 will discuss the gender gap in entrepreneurial earnings. Section 10 will review theory and evidence on female-owned businesses. Section 11 will discuss the important issue of financial constraints faced by female entrepreneurs. Finally, Section 12 will conclude the paper, identify gaps in the literature, and suggest topics for further research.

For a detailed annotated review of the literature up to 2002 see Gatewood et al. (2003).
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