Comparison of Male and Female Entrepreneurs – An Empirical Study

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ABSTRACT

Women entrepreneurs have been designated as the new engines for growth and the rising stars of the economies in developing countries to bring prosperity and welfare. A variety of stakeholders has pointed at them as an important ‘untapped source’ of economic growth and development (Minniti and Naudé, 2010). In spite of the budding number of women-led business and a significant increase of initiatives, policies and resources designed to promote and develop women’s entrepreneurship, there is gap between Male and Female entrepreneurs. The Present study made an attempt to compare male and female entrepreneurs. To achieve the said objective various research papers, articles, magazines are refereed and comparison is made through the observation. From the present comparison it is found that female owned firms are smaller and likely to choose sole proprietorship as a legal form and they are under presented in manufacturing and mostly found in services.

Keywords: Male and Female Entrepreneurs, Gender, Marital status etc.

I. INTRODUCTION

Entrepreneurial activities by women have attracted a considerable amount of interest among policy makers who have recognized the potential of female entrepreneurship for increasing economic growth and job creation. Although the gender gap in entrepreneurship has narrowed during the past decades, the share of female entrepreneurs engaged in venture creating activities is still comparatively low in many countries. Researchers have addressed gender differences in entrepreneurship with respect to venture creation, growth aspirations, innovation and new venture performance in terms of survival and profitability, gender differences in entrepreneurial performance, when women have fewer resources as compared to male entrepreneurs who lack important prerequisites to achieve success.¹

II. PRIMARY SIMILARITIES BETWEEN MALE AND FEMALE ENTREPRENEURS

Primary similarities between male and female entrepreneurs could be found in their motivation for starting their own business. These similarities included a desire for financial security, a need for autonomy, and a response to the identification of profitable business opportunities.

Several studies have found that female and male entrepreneurs are more similar than different. Early studies exploring why females become entrepreneur found they gave similar responses to their male counterparts such as need to achieve and independence². Contemporary research also supports similarities. Females in traditionally dominated male industries gave similar reasons for operating their own businesses such as the desire for independence³. Another study reports that no differences exist regarding personal goals such as independence, achievement and economic necessity, both males and females value self-respect, freedom, a sense of accomplishment, and an exciting life⁴. Both males and females held initial optimistic expectations regarding their ventures.⁶ However, several studies found differences between male and female entrepreneurs.
III. BASIS FOR COMPARISON

Male and female entrepreneurs can be compared on the following basis,

1) Marital status
2) Education and background experience
3) Type of business started
4) Opportunity identification
5) Efforts expended in a new business creation
6) Startup problems
7) Confidence in organizing abilities
8) Risk preferences
9) Motivations of business entry
10) Operational differences
11) Personal attributes
12) Family – career conflict
13) Psychological differences
14) Career influences
15) Firm’s performance &
16) Expectation for venture performance

1) Marital Status

In most comparative studies, male and female entrepreneurs differ significantly on marital status. In these studies approximately 90 percent of the male sample is married, with most of their wives assuming a traditional, supportive role. The female sample tends to be characterized by less stable marriage relationships, with between 50 and 70 percent still married and young, but significant percentages of divorced and single woman. Generally, husbands are not very much involved in the business, but if they are, it is an “expert”, rather than supportive role women differ from men with respect to the conflicting demands of business and family. Male business owners experience less conflict between the claims of marriage and business. Married women owners typically find that their husbands expect them to continue with their household duties despite the demands of their business, these husbands rarely contribute to the running of either homes or business.

2) Education and Background Experience

The most significant differences to emerge from these studies are demographic one. Men & women come to entrepreneurship from very different educational & business experience backgrounds. For men the decision to start a business seems to follow a logical progression, but it does not appear to do the same for women. One study which focused primarily on the influences that led women to become entrepreneurs reports “for the male sample, the normal route into entrepreneurship was to replicate a business of which the man had good prior knowledge, in both technical and managerial terms, as on employee of someone else; for the female sample, this was almost unknown”.

Even though women entrepreneurs tend to be well educated, they often do not have an educational background in business. In one study, 55 percent of the female sample had business educations, but 80 percent of the men did. In the same study, women were considerably less likely to have previous management experience (24 percent versus 72 percent) or to have any experience relevant to the business venture initiated (40 percent versus 4 percent).

Fifty percent of the women stated they had neither specific knowledge of the business or managerial experiences before embarking on the business, whereas only 5 percent of the men stated this.

Differences are seen evident in the research looking at past experiences. According to Shaw, female entrepreneurs tend to have less managerial experience than their male counterparts. in fact Birley found that most women gained their first managerial experience in their own businesses.

3) Type of Business Started

Male and female entrepreneurs do not start the same types of businesses. Female led businesses are more likely to be found in personal services and retail trade and less likely to be found in manufacturing and high technology. In addition women start businesses that are less growth-oriented and less driven by opportunity and more oriented toward wage substitution.

Some researchers argue that gender differences in the types of businesses than men and women found are the result on socialization and structural barriers. Women tend to work in certain occupation and industries because these occupations and industries are more socially acceptable for women, and because women face obstacles to working in other industries and occupations.

In addition, some businesses cannot be started easily by people without the appropriate educational background. This is particularly the case for businesses that rely heavily on technology. Because women are less likely than men to study engineering or science, they often lack the education to start businesses that demand technical skills.
Some businesses are inherently easier to start than others because they have lower barriers to entry. Women may be more likely to start businesses that face low barriers to entry because these businesses make lesser demands on human or financial capital than other businesses, and women may lack these types of capital.17

4) Opportunity Identification

Female entrepreneurs search for new business opportunities differently than male entrepreneurs for a variety of reasons. First, many opportunities are identified through information that is transferred through social networks. Women have different types of social networks than men18. As a result, they have access to different sources of information about opportunities. For instance, male entrepreneurs to identify opportunities through conversations with investors and bankers because, on average, they know more investors and bankers.

Second, learned behaviors and social norms lead men and women to develop different cognitive processing styles19. As a result, on average, men and women gather information and solve problems differently20. For instance, female entrepreneurs are thought to learn from a greater variety of sources than male entrepreneurs, while male entrepreneurs are thought to learn more from setbacks than female entrepreneurs21. In addition, the greater risk aversion of female entrepreneurs may lead them to search for more information that mitigates the potential risks about business opportunities than their male counterparts.22

5) Efforts Expended on New Business Creation

Researchers have found that female entrepreneurs, on average, work fewer hours than male entrepreneurs. Studies have shown that women invest less time in the development of their new businesses than men23. They also indicate that self-employed women are less likely to work full-time than self-employed men.24

6) Start-up Problems

Research suggests that social norms about the role of women in society, the shortage of female role models, and the greater household burdens faced by women lead female entrepreneurs to face more startup problems, and for those problems to be of greater magnitude, than their male counterparts. Attitude towards the role of women make it more difficult for female entrepreneurs to be taken seriously as business people25, and to gain support for their entrepreneurial activities from their spouses, family & friends. In addition, the relative shortage of female role models makes it more difficult for female entrepreneurs to obtain adequate mentorship for their start-up efforts. Furthermore, the greater household and childcare responsibilities of women lead them to have more trouble balancing business formation and family responsibilities.26

7) Confidence in Organizing Abilities

Because of how men and women are socialized, women have lower levels of career-related self-efficacy than men, particularly in careers that are seen as traditionally male.27 Because starting a business has been considered a traditionally “male” career, female entrepreneurs are thought to have less confidence in their entrepreneurial abilities than male entrepreneurs. As a result, they are less likely to believe that they can undertake the key in organizing a new venture, such as obtaining startup and working capital and attracting customers.

8) Risk Preferences

Research in sociology and psychology shows that women are risk averse than men across a wide variety of settings.28 Women display greater financial risk aversion than men29. Some studies suggest that this greater risk aversion carries over to female entrepreneurs. In fact, one study shows that a convenience sample of female entrepreneurs have lower risk propensity scores than male entrepreneurs on a psychological scale30. The greater risk aversion of female entrepreneurs is thought to make them less willing to trade potential gain for risk, which leads them to prefer businesses with lower failure probabilities than those preferred by male entrepreneurs31. As a result, male entrepreneurs pursue business opportunities that involve more risk than the opportunities pursued by female entrepreneurs32. The greater risk aversion of female entrepreneurs also leads them to engage in greater amounts of risk minimizing activity. For instance it was found that the female entrepreneurs focus more on minimizing risk than male entrepreneurs in the business organizing process.33

9) Motivations of Business Entry

Both men and women in comparative studies indicate the primary reason for turning to self-employment was in order to have more control over their working lives.34 A variety of negative forces can compel individuals to pursue self-employment35. In broad terms, these negative forces exist for both men and women, i.e. displacement, dissatisfaction with previous employer, liability to find satisfactory alternative employment, life crisis, etc; however the underlying dimensions of these non economic factors or influences shape the nature of male and female entrepreneurship differently. The quest for personal autonomy and self determination is a recurring theme for both men and women. But for women three major objectives appear to be involved, first the wish to escape a labour market which confines them to relatively insecure and low paid occupations, second, the desire to escape the supervisory controls associated with formal employment and / or the constraints of traditional domestic roles, and third to reject social stereotypes which tend to be imposed on them by social institutions.36

Financial independence is rated high on lists of reasons for business strategies in small business research for both men and women. However, women’s reasons are strongly associated with sex related disadvantages. Ownership gives them both material independence and an opportunity to control the product of their own labour. Other reasons cited are economic necessity, desire for autonomy and a greater flexibility.37 Flexibility is a key factor for women in starting a business and a
significantly greater factor than for men. It permits the convenience of caring for children while at the same time operating a business.

Although many of the reasons for starting business are associated with sex related disadvantages, some women start business for political as well as economic reasons. One of the positions of the women movement is that the only way to sexual equality is through economic independence.39

10) Operational Differences

Many of the operational differences perceived male and female business owners appear to be the same.40 The majority of the small firm owners, regardless of sex, see marketing, accounting and financial problems to be the major ones facing their firms. No study has systematically addressed business concerns on a comparison basis, but it does appear that women business owners face several obstacles which male business owners do not appear to encounter. Bank officers reactions to loan request from women are reported to be unsympathetic and uncompromising.31 Access to capital is a problem cited in most of the research studies on women entrepreneurs

11) Personal Attributes

In terms of personal attributes, two studies found that women were usually either only children or the oldest daughters in a family where at least one parent was an entrepreneur.42

12) Family Career Conflict

One study investigated entrepreneurs and family career conflict and found that females reduce family career conflict by spending less time at work, while males increase their time at work.

13) Psychological Differences

A comparative analysis of Welsch and young revealed no major differences in psychological characteristics and perceptions of business problems encountered.44 No differences in personality measures were found for risk taking, locus of control, Machiavellianism, self esteem, openness to innovation, and rigidity. Other studies have failed to find sex related differences in characteristics such as achievement, autonomy, aggression, support, conformity recognition, independence, benevolence and leadership.45 These researchers concluded that the differences between women entrepreneurs and women in general were much more significant than between males and females entrepreneurs.

14) Career Influences

In a study of 1000 small business owners in the US, women owners were greatly influenced by their husbands and families in making a career choice.46 Ninety percent of women stated they needed the support particularly the emotional support of their husbands and families. Most of the male business owners in the same study stated that their families had not influenced their career choice. In addition, husbands often received credit for their wives' small business careers.

15) Firm Performance

Studies have shown that performance of female led new ventures lags behind that of male led new ventures sales growth, employment, employment growth, income and venture survival are all lower for female led ventures.47 Women owned business have lower sales and employ fewer people than men.48

16) Expectations for Venture Performance

Female entrepreneurs have lesser expectations for their business than male entrepreneurs. They expect to generate lower profits and employ fewer people than male entrepreneurs because they are less motivated to make money and more motivated to achieve goals.49 Male entrepreneurs have greater confidence in their entrepreneurial abilities than female entrepreneurs. These differences in confidence lead male entrepreneurs to form greater expectations for their business to form greater expectations for their business. Female entrepreneurs tend to start types of business that have lower growth and income potential than male entrepreneurs. As a result, the expectations of female entrepreneurs, when are in line with the reality of the business that they start, are lower than those of male entrepreneurs. Female entrepreneurs are more likely to set limits beyond which they do not want to expand their businesses to ensure that they do not adversely affect their personal lives.50 Female entrepreneurs start smaller scale business than male entrepreneurs; hence their initial expectations for their businesses tend to be lower.51

IV. CONCLUSION

This review found that female owned firms are smaller and likely to choose sole proprietorship as a legal form and they are under presented in manufacturing and mostly found in services. Female entrepreneurs also bring different qualities to the business and through hard work they are overcoming many of the challenges they are facing. Women entrepreneurs are making significant progress in the entrepreneurial field and they are making a significant impact on the economy. The problems faced by them are less restrictive than those faced by their predecessors of past decades. Some of the researchers argued that female entrepreneurs still struggle more than their male counterparts. Female entrepreneurs face heavy opposition when it comes to obtaining finance. Male entrepreneurs are more likely to possess management training and skills to possess management training and skills than their female counterparts. Male entrepreneurs are more likely to exhibit autocratic management style, while female entrepreneurs tend to show participative or consulting management style. In comparison with men, women are less likely to report growth intention. Female entrepreneurs tend to underperform compared to male
entrepreneurs. Female under performance is only true if the economic performance of female entrepreneurs is inferior to the performance of their male counterparts with identical preferences. More women choose not to grow their business, because the interest of the family does not get into conflict with the business. Women enter into entrepreneurship for achieving independence and control over their working lives. Small business offers flexibility for playing multiple roles. Small business offers greater flexibility for reconciliation of work requirements and family commitments, whereas large firms are designed for male entrepreneurs. Even though female entrepreneurs have weaker preferences for expansion and growth it was consistently found that they do not underperform in terms of profitability and no support was found for female under performance.

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