

The Entrepreneurship Gender Gap in Global Perspective: Implications for Effective Policymaking to Support Female Entrepreneurship

“To fail to pay attention to women’s economic activities is both morally indefensible and economically absurd.”

Bradford Morse, United Nations Development Program

Women play a large and growing role as entrepreneurs in the U.S., Canada, and, to some extent, the United Kingdom. In poorer countries it appears that fewer women participate in entrepreneurial activities, although rates of female entrepreneurship vary dramatically across nations. The entrepreneurship gender gap measures the difference between the number of men and the number of women participating in entrepreneurial activity. The latest data show that among the countries with the largest entrepreneurship gender gaps are nations as varied as Poland, Argentina, Norway, and Greece, while countries with among the lowest gaps include South Africa, Peru, Portugal, and Japan.¹ What explains variation across countries in the extent of this entrepreneurship gender gap? How do economic circumstance, social structure, and culture impact the determinants of female entrepreneurial activity? In what ways are the determinants of female and male entrepreneurial activity different, if at all?

Governments and non-profits around the world are actively promoting entrepreneurship through a variety of programs and policies. Entrepreneurship policy ideas are often imported from one country to another and rarely differentiate by gender. But if the impetus for entrepreneurial activity varies with gender, national culture, or economic circumstance, similar policies may work well in some situations but not in others. To the extent we can explain the variation in entrepreneurship gender gaps, we can better design programs and policies aimed at increasing women’s entrepreneurial activity.

Despite the growing role of women among entrepreneurs and small business owners, academic work on entrepreneurship neglects gender.² For the scholar interested in exploring the interplay of country context, gender, and entrepreneurship, the literature is meager. Existing scholarship on female entrepreneurship in global context falls into

two categories, based on approach. One approach is the country-specific study that might use surveys and/or interviews to create data about female entrepreneurs.³ Although not designed to allow for statistically valid comparisons across countries, assessing these studies as a group highlights some common themes. One serious shortcoming is that few of these country studies try to look for similarities or differences across groups of female and male entrepreneurs. The second category of studies uses large data sets to quantitatively assess patterns of cross-national variation in female entrepreneurship.⁴

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Survey of the limited literature on female entrepreneurial activity highlights a global gender gap in entrepreneurship. The survey also highlights three possible channels through which policies and programs might encourage the rate of female entrepreneurial activity: venture financing, social networks, and national culture.

National Economic Wealth and the Gender Gap

National GDP per person, a measure of national economic wealth, clearly shapes the extent of the entrepreneurship gender gap. Across levels of national income, economic necessity is a stronger determinant of entrepreneurial activity for women than it is for men. Women in middle-income countries, more so than in low-income or high-income nations, shy away from entrepreneurial activity. Thus, the gender gap in entrepreneurial activity is greatest in middle-income countries and least in high-income countries.⁵ This basic relationship between levels of national income and female entrepreneurship is important. It suggests that the greatest need for and benefit from increased female entrepreneurship may be in low- and middle-income countries, where the gender entrepreneurship gaps are widest.

Venture Financing and the Gender Gap

Female entrepreneurs use less start-up capital than do male entrepreneurs. The conventional explanation for this gap is that women do not have as much access as men to venture funding.⁶ But it may also be that women do not seek venture capital to the same extent as men, for several possible reasons. Perhaps they fear encountering bias against women in the allocation of start-up financing. Another possible explanation is that female entrepreneurial activity might be less capital-intensive than male activity because of the kinds of business sectors that attract female entrepreneurs (e.g., consumer retail, health and beauty services). In other

words, female entrepreneurs may simply need less capital than do male entrepreneurs! An additional explanation for the financing gap is that women are more financially risk-averse than men and try to “do more with less” to avoid increasing their financial obligations.⁷ Research on gender and risk-aversion provides few clear conclusions; it defines and

explores different kinds of risk, from different angles. Because risk-aversion is a well-defined component of national culture that varies across nations, answers to questions about gender and risk-aversion in different national contexts are even more illusive. Using a definition of risk-aversion not necessarily congruent with concepts of financial risk, one study of entrepreneurs in Norway, New Zealand, and the United Kingdom supports the idea that women perceive more environmental uncertainty than do men.⁸ The study found that in comparison to male entrepreneurs, female entrepreneurs in all three countries saw much greater political uncertainty in their environment. Another study reports that female entrepreneurs across many countries exhibit fear of failure, but the study doesn’t explicitly compare the extent of male and female fear.⁹

Policies and programs that work to address entrepreneurs’ difficulty in accessing capital assume entrepreneurs are denied funds they seek. Existing policies involve tax breaks for venture investors, government-subsidized loan programs, and programs in which the government guarantees loans. These programs are generally gender-blind. Scholars

and practitioners view such programs as helpful but too small to affect the overall scale of entrepreneurial activity. If gender bias in women’s access to start-up capital corresponds to a story of seeking, but being denied, financing, women should benefit from these sorts of programs and their expansion. However, to the extent women seek less financing than men, these programs may not have much impact on reducing the gender gap in entrepreneurial activity.

Research that uncovers the extent of gender differentials in requests for financing and explores the possible reasons why women do not seek financing in equal magnitude to men could contribute to policy design in important ways. For example, if it is indeed true that female entrepreneurs are more risk-averse than male entrepreneurs, programs mimicking non-profit sector micro-finance projects by extending small loans for very short terms might help women entrepreneurs gain confidence in their ability to productively use credit and build creditworthiness. Governments might consider more extensive partnering with non-governmental micro-finance programs, or they could explore how official programs might effectively scale-up the micro-finance model.

Social Networks and the Gender Gap

Entrepreneurs commonly cite the positive role that networks of other entrepreneurs or related professionals play in their start-up activities. Quantitative work and case studies suggest that women in lower-income countries may rely on networks as substitutes for formal legal contracts more than men in those same countries. For example, a study of female entrepreneurs in Vietnam concludes that because government institutions are weak, successful female entrepreneurs depend on informal networks of government officials to support and approve their projects.¹⁰

Evidence from country studies of female entrepreneurship also highlights the leverage women gain from networks of family and friends. Across the country-specific studies of female entrepreneurs surveyed, the most frequently mentioned success factor is support from friends and family (including domestic help). Three country studies, in Oman, Cyprus, and Hungary, explore women’s views that familial networks were important to their entrepreneurial success.¹¹

Trying to summarize research findings about entrepreneurs’ use of social networks raises some important questions whose answers could help guide programs aimed at increasing female entrepreneurship. What are the characteristics of male and female entrepreneurs’ networks? Do the characteristics and ways of using networks differ by gender? One researcher, for example, suggests that women entrepre-

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neurs' networks are smaller and more geographically concentrated than are men's.¹² Research that helps answer these questions could guide programs that support, nurture, and perhaps expand access to social networks that prove key in promoting female entrepreneurial activity.

National Culture and the Gender Gap

Regardless of gender, researchers expect entrepreneurial activity to be higher in more individualistic, less collectivist cultural contexts. One scholar lays out the connection:

Entrepreneurs in an individualistic society may have scanning and decision scripts tailored to finding opportunities that they, personally, can take advantage of...Entrepreneurs in a collective society may have scanning and decision scripts tailored to opportunities that a group or consortium can take advantage of; these opportunities would involve coordination, collaboration.¹³

In stark contrast, a recent study found that the more individualist the national culture, the larger the gender gap in entrepreneurial character attributes.¹⁴ In other words, the gender gap in entrepreneurship is actually *lower* in countries whose culture exhibits more collectivism than individualism.

Researchers define the concept of collectivism in two different ways, as “family” collectivism and “distributional” or “institutional” collectivism.¹⁵ *Family collectivism* refers to cultures that express pride, loyalty, and cohesiveness in their organizations and families. Distributional collectivism characterizes cultures in which organizational and societal institutions encourage and reward collective action and collective distribution of resources. National cultures high in family collectivism may spur more female, relative to male, entrepreneurship because they afford women the networks of family and friends they so often remark are crucial factors facilitating their entrepreneurial activity. To the extent that female entrepreneurs, more than male entrepreneurs, attribute success to networks of family and friends, policymakers might consider how to build community support for female entrepreneurs. If such support is more readily available in cultures characterized by family collectivism, this policy direction might particularly help female entrepreneurs in cultures that are more individualistic.

Investigations also look at a different dimension of culture called “uncertainty avoidance.” Cultures that eschew uncertainty do not accept change or admit a variety of opinions as readily as societies where uncertainty is more acceptable. Research suggests that in societies where uncertainty is accepted in the national culture, women are more likely to be risk-takers in rates equal to the rates of men.¹⁶ When national culture includes a propensity to

avoid uncertainty, women are less likely to go against the cultural grain and engage in entrepreneurial activity.

If substantiated, the intriguing result that women seem less likely than men to engage in entrepreneurial activity when such activity goes against the dominant view of uncertainty and risk-taking should inform policies to promote cultural awareness of entrepreneurship. Such policies are a common element of entrepreneurship programs in higher-income countries. They include programs like education support, public relations and advertising campaigns, awards programs, and success story publications, among other initiatives. One intriguing possibility is that these programs will have a differential impact

on men and women depending on the dominant cultural values in the targeted geography. Policies might be most effective for women in countries with risk-averse cultures if they focus directly on special venture education programs for women, promoting business education partnerships for women, or emphasizing professional development around entrepreneurship for primary and secondary school teachers (who are predominantly women).

Aspects of national culture probably shape the potential for male and female entrepreneurship to different extents, substantiating the general idea that effective entrepreneurship policies must respond to the specific cultural characteristics of the populations they intend to serve.

Conclusions and New Directions for Policy

Four conclusions emerge from the nascent literature on international variation in the entrepreneurship gender gap. First, the gap is greatest in poor and middle-income countries. Secondly, we know too little about the supply and demand for venture financing of female entrepreneurs, especially in poor and middle-income countries, to foresee the impact of venture financing programs on female entrepreneurial activity. In addition, the characteristics of entrepreneurs' social networks, and the ways entrepreneurs use them, probably varies with gender, and a better understanding would lead to more effective programs to encourage female entrepreneurship. Finally, aspects of national culture, such as collectivism and fear of uncertainty, probably shape the potential for male and female entrepreneurship to different extents, substantiating the general idea that effective entrepreneurship policies must respond to the specific cultural characteristics of the populations they intend to serve.

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Endnotes

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Center for Gender in Organizations (CGO) Linking gender and organizational effectiveness

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