

Female Entrepreneurs: How Far Have They Come?

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Buttner, E. H. (1993). "Female Entrepreneurs: How Far Have They Come?" Business Horizons. 36(2), 59-65.

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Women have been starting their own businesses in unprecedented numbers in recent years. They are leaving large corporations to "go it alone" for a number of career reasons: frustration at hitting the "glass ceiling," dissatisfaction with slow career advancement and unmet career expectations, and corporate downsizing. They are also fulfilling personal dreams of entrepreneurship, being their own boss, and achieving success in business.

The rapid increase in women-owned enterprises is important because small business provided the major source of new job growth in the 1980s. Women have been initiating businesses at twice the rate of men. Between 1972 and 1987, businesses owned by women grew from less than 5 percent to 28 percent of all U.S. businesses. According to the 1988 State of Small Business Report, the number of non-farm sole proprietorships owned by women increased 62 percent between 1980 and 1986. If current startup rates continue, women will own half of U.S. businesses by the year 2000.

Until recently, most of what we have known about entrepreneurs has been based on the study of men who initiated ventures. Because the number of women starting their own businesses has grown so large, it is important now to understand whether their experiences are different from those of their male counterparts. Consequently, we are learning much more about the women who are piloting their ventures in the turbulent seas of the current economic climate. The purpose of this article is to summarize what we know about the experiences of today's entrepreneurial women in North America.

The Woman Entrepreneur: Past and Present

When we think of the women initiating businesses ten or 20 years ago, a particular image comes to mind. Historically, women entrepreneurs were divorced, widowed, or at home with small children, starting their businesses out of financial necessity. They often fit the stereotype of working to support the family. Their education was in liberal arts with little or no business experience. The enterprises were usually small service or retailing establishments, started with personal savings or loans from friends or family. The businesses typically remained small, slow-growing, labor-intensive operations. Although some female owners still fit this description, today's modern female entrepreneurs are generally quite different in background and experience.

The female entrepreneur of the 1990s is typically middle- to upper-middle-class, married with children, and 30 to 45 years of age at startup. She is often the first-born, college-educated daughter of a self-employed father. She usually has worked in a larger organization, gaining skills and knowledge her forebears lacked. Typically she capitalizes on her training, initiating her business in the same industry. Today, greater numbers of women are venturing out into manufacturing, engineering, transportation, construction, and other traditionally male-dominated fields.

Is the Female Entrepreneur Unique?

There is a commonly held perception that entrepreneurs, (typically male) differ from the general population in such personality characteristics as independence and leadership. Male entrepreneurs are indeed higher on these dimensions than many employees of large organizations. Are female entrepreneurs more similar to their male colleagues or to their female counterparts in large organizations?

Numerous studies have shown that there are no differences between entrepreneurial men and women in personality dimensions, including achievement motivation, autonomy, persistence, aggressiveness, independence, (non-)conformity, goal orientation, leadership, and risk-taking propensity. A few differences in how men and women manage their businesses have emerged, however. Compared to men, female entrepreneurs are more adaptive, more socially aware, have wider experience in different business areas, delegate more, and engage in longer-term planning.

Overall, men's and women's motivations for business initiation are quite similar. As with male entrepreneurs, females seek independence, autonomy, higher income, and the opportunity to be their own boss. One difference between men and women in their motivation to initiate a business is that men often cite economic reasons, whereas women often cite family needs. Whereas men generally see entrepreneurship as a business decision, many women view it as a life choice—a way of integrating family and career needs. Barbara Noble, in her report on female entrepreneurs (1986), summarized the difference in orientation when she wrote, "For men, being an entrepreneur is a business strategy. For women, it's a life strategy."

Female entrepreneurs are also quite similar to female executives in large corporations. For both groups, the predominant motivations for working are a need to achieve and the desire for job satisfaction and professional recognition. However, female executives tend to be more stable than their entrepreneurial colleagues. In one study of women's work experience, 42 percent of the entrepreneurs had held at least four previous jobs, compared to only 16 percent of the corporate managers. Female executives and entrepreneurs also gave different reasons for their professional success. The executives saw their ability to work with people as the key to their success, while entrepreneurs saw endurance and hard work as their key success ingredients.

What conclusions can we draw about the uniqueness of the female entrepreneur? Male and female entrepreneurs are much more similar in personality characteristics, motivations for initiating a venture, management styles, approaches to strategic management, values, and predictors of success than they are different. Women's migration into entrepreneurship appears to result more from their frustration at hitting the "glass ceiling" or experiencing downsizing than to some unique personality attribute.

Success of Female-owned Businesses

Despite the myth that women lack business savvy, female-owned businesses have a survival rate comparable to men's. Entrepreneurial success, as measured by gross sales and market share, is the same for both male and female entrepreneurs.

Successful female business initiators have previous experience in the field in which they operate their businesses. They also possess financial and communication skills, are adept at establishing long-term objectives and generating new ideas, effectively set up formal organization structures when needed, and are highly motivated by new market opportunities. Again, the men and women initiating new enterprises are remarkably similar. But although men and women may be equally successful, differences in perceptions about their likelihood of success persist among resource providers.

Sex-Role Stereotypes and Female Entrepreneurship

In spite of their success, many female entrepreneurs report that they have to work harder than their male counterparts to prove their competence as business owners to customers, suppliers, and other resource providers. Women maintain that this extra effort is especially critical if they are in traditionally non-female-owned businesses, such as manufacturing, transportation, or construction. There is well documented evidence that women are perceived as lacking attributes associated with successful management. These perceptions of women's lack of fitness for management, which spill over into the entrepreneurial arena, have been a topic of heated debate.

Contrary to the empirical evidence demonstrating similarities in personality attributes, motivation, and success between male and female entrepreneurs, stereotypical perceptions that women are less qualified persist. In a study I conducted several years ago with my colleague Ben Rosen (1988), we asked bank loan officers to rate men, women, and successful entrepreneurs on attributes of successful entrepreneurship. Women were rated significantly lower than men on seven of nine dimensions: leadership, autonomy, readiness for change, risk taking, endurance, lack of emotionalism, and low need for support.

The results of another study provided additional evidence of the predominance of sex stereotypes in entrepreneurship. When asked to describe the personality profile of a successful entrepreneur, employees in female-owned small businesses used masculine characteristics more often than feminine ones. Do these stereotypical perceptions influence resource providers' decisions, including those of bank loan officers? This is a critical issue, because the inability to obtain financing can be an insurmountable roadblock for an aspiring entrepreneur—bank loans are second only to personal savings as a source of capital for women.

A controversial issue has been whether bias exists in the capital funding process. The House of Representatives Committee on Small Business (1988) reported that women still suffer the negative effects of misperceptions and discrimination in capital acquisition. They cited the need for female entrepreneurs to have access to additional management training to overcome these barriers. Female entrepreneurs in numerous surveys conducted in the early 1980s also asserted that they have more difficulty than men in raising startup capital. However, these allegations have been largely unsupported when the funding process is closely examined.

Ben Rosen and I (1989) investigated female entrepreneurs' allegations that loan officers favored men in their funding decisions. We developed a business plan and two videotapes: one interview of a male entrepreneur and one of a female entrepreneur applying for a bank loan to start a biotechnology venture, a field historically dominated by men. We found that in funding recommendations for identical business proposals, the loan officers in our sample treated male and female applicants identically. There were no differences in the loan officers' likelihood of recommending funding or the amount of the loan as a function of entrepreneurial gender when they read the business plan. A different sample of loan officers made slightly larger counteroffers to the female entrepreneur after reading the business plan and watching the videotape of the loan application interview. This finding is consistent with other research, which shows that high-performing females are rated more positively than comparably performing males when the women's performance runs counter to stereotyped expectations.

In another study of the financial histories of Canadian entrepreneurs, conducted by Allan Riding and Catherine Swift (1990), the results indicated that, in the aggregate, financial conditions for women appear less favorable. The women surveyed paid a higher interest rate on loans, were required to put up more collateral, were less likely to have a line of credit, and were more likely to have to provide the co-signature of a spouse to obtain a loan. However, closer examination of the data provided a somewhat different picture. Compared to male-owned businesses, the women's companies were younger and smaller (in annual sales), had lower rates of growth, were more likely to be a sole proprietorship than a corporation, and were more often in the retail and service industries. All these attributes made the women's businesses less attractive as potential loan recipients. When the researchers compared the funding histories of women's businesses to comparable male-owned businesses, only one gender-related difference remained: the collateral requirement for a line of credit was still higher for women. This is a notable difference in treatment, since a line of credit is often essential for firm growth. Overall, however, research to date indicates that men and women in comparable businesses are, in most cases, treated similarly by loan officers.

How can we account for the contradiction between the allegations of female entrepreneurs and the research findings to date? Ben Rosen and I conducted a third study (1992) to find an answer to this question.

We asked our entrepreneur participants to imagine that they had applied for a startup loan for a new venture. When we queried them about their views after rejection of the loan, we found few differences in male and female entrepreneurs' attributions about loan officers' funding criteria. They attributed the rejection to bad timing, insufficient collateral, the inability to develop good chemistry with the loan officer, or the excessive size of the loan request, in that order. Gender bias was rated as the least likely reason for rejection by both males and females. Entrepreneurs of both sexes were also strikingly similar in their subsequent actions. Both the men and the women indicated that their most likely next steps would be to revise the business plan and seek funding at another bank, seek advice from other entrepreneurs, and take various measures to strengthen their cases for attracting venture capital.

Female entrepreneurs were significantly more likely to seek funding from a venture capitalist or to attend a venture capital forum than were men. As a result, these women were generally more

active in seeking venture capital funding. It appears that today's female entrepreneurs, who have more business experience than their forebears of a decade ago, may be more aware of the financial requirements for obtaining a loan and less likely to attribute a rejection to gender bias.

Resource Availability in Women's Entrepreneurial Networks

To be successful, entrepreneurs must be well-integrated in their communities. Networking can be a way for an entrepreneur to gain access to resources (information, advice, or capital) needed for initiating and operating a new venture. Entrepreneurs connected to many diverse information sources are more likely to survive and make their businesses grow.

Women have historically been excluded from the "old boy networks" in large organizations. Perhaps because of these obstacles, they have developed different networking strategies than those used by men. Women represent a source of information significantly more often for other women than for men. Male entrepreneurs have few women in their close business networks of suppliers, customers, bankers, and creditors. If connections bring access to resources, women starting their businesses may be at a disadvantage compared to (better connected) male entrepreneurs.

Women and men may also have different priorities than men in establishing networking relationships. Men's motives are often more "instrumental" (seeking personal gain), while women have more "affective" considerations in social relationships. As a result of socialization, women may have more difficulty than men in putting personal feelings aside in business relationships. Men rely on such outside advisors as bankers, lawyers, or accountants for information, advice, and support; their spouses typically play a secondary role. Female entrepreneurs, on the other hand, indicate that their husbands are their most important source of support.

The reliance of entrepreneurs on members of the same gender works against women in a different way. Women are underrepresented in fields crucial to entrepreneurial success. For example, loan officers and venture capitalists are predominantly male. Only 7 percent of partners and associates listed in the 1986 Venture Capital Association Directory were female. This underrepresentation of women in the financial industry is important, because networking by gender predominates over networking activities across gender lines. Thus, women entrepreneurs are less likely to have women bankers or venture capitalists in their network.

Managing Family and Work

Although we know relatively little about how entrepreneurs manage work and family life, women appear to experience greater family work conflict than their male counterparts. Women entrepreneurs have reported that they come home from work too tired to engage in other desired activities and that they have difficulty relaxing at home. Not surprisingly, women who report business success also report greater satisfaction with their home life. This higher level of satisfaction may be attributable to a high crossover between the business and personal dimensions of their lives. What have we learned over the past 15 years about women who strike out on their own in business? Research suggests that the critical determinants of success for female entrepreneurs involve good business management, drive and ambition, and an ability to exploit

opportunities in areas of industry where entrepreneurs have significant business experience. Of course, these critical success factors apply to men as well.

Male and female entrepreneurs are strikingly similar in personality. Women initiate their businesses as a strategy for integrating life and career values, while men are more likely to initiate their businesses for economic reasons. Both groups seek to achieve success through the business and to operate with greater freedom than they have experienced in larger organizations.

Women will continue to struggle with the combined needs of family and business. We still do not have a clear understanding of the experiences these entrepreneurial women have as they try to juggle the simultaneous demands of both aspects of their lives.

To dissipate the enduring perception that entrepreneurship is a predominantly male domain, successful female entrepreneurs need to serve as role models for aspiring female business students and provide mentoring and internships in female-owned ventures. Women will continue to benefit from opportunities to enhance business skills in marketing and finance through training programs offered by the Small Business Administration, Small Business Development Centers, and colleges and universities. Enhanced skills and experience may help women develop greater entrepreneurial self-confidence.

Women need to be aware that the nature of the business they initiate will influence the ease with which they are able to attract venture capital. Service and retailing businesses with slower-growth histories, labor-intensive technologies, and lower profitability will be harder to finance with outside capital than growth-oriented, high-technology ventures. As women-owned businesses mature and develop track records of performance, banks should be more willing to negotiate loans. Bankers need to be careful to review collateral requirements for lines of credit to assure equal access for both male and female entrepreneurs.

Men, on average, have greater longevity in their ventures and therefore have greater entrepreneurial experience. Women entrepreneurs could benefit from concerted efforts to include supportive male colleagues in their networks and draw upon this potential additional source of information, advice, and resources.

In spite of these obstacles, the movement of women into the mainstream of business and entrepreneurship can be viewed in an optimistic light. As women gain business experience, build their own networks, and establish credibility with such network members as bankers, customers, and suppliers, their success and longevity will rival that of their male colleagues.

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