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Female Entrepreneurship

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Synonyms
Diversity entrepreneurship; Entrepreneur

Characteristics of Female Entrepreneurship

Female entrepreneurs are the women founding, building, owning, and driving new companies in emerging and established industries. What is understood as entrepreneurship can range from being self-employed and, for instance, running a small catering service from home to owning a business venture worth millions of US dollars. Starting from Schumpeter’s original portrayal, entrepreneurs are often seen as charismatic individuals who use inventions, resources, and creativity to push for commercial success of innovation. The classical theoretical view presents entrepreneurship as gender neutral. Research on the secret of entrepreneurial success highlights the personal characteristics of the individual. Scholars use descriptors such as inventive, energetic, risk taking, aggressive, dynamic, self-motivating, and tolerant of ambiguity. These “entrepreneurial traits” are clearly male attributes.

Prior to 1980, entrepreneurial activity in most developed countries was dominated by men. Not surprisingly, research investigated men and their motives, behaviors, and characteristics. The phase of treating entrepreneurial behavior as gender neutral as well as without any other crucial distinctions across populations lasted until the 1990s. Since then, the research focus has shifted. The number and importance of female entrepreneurs grew, and now female enterprises contribute considerably to economic development all over the world. Thus, it is no longer appropriate to neglect the specific motives and performance of female entrepreneurs. Though still limited and fragmented, a specialized literature on women entrepreneurship is evolving and growing (Brush et al. 2006; Carrier et al. 2008; Klapper and Parker 2011; Patterson and Mavin 2009).

More insights into female entrepreneurship derived from a large body of research that compared the experience and human capital of male and female entrepreneurs. At the same time, research began to focus on environmental (available financial and other resources) and societal factors (networks, social capital) in order to explain the “gender gap” in entrepreneurship. More recent research challenges the concept of gender neutrality (with masculine undertones). Most studies seem to reject the notion that gender-related discrimination in laws and regulation should be the major reason for the disproportionate participation of females in start-up businesses. Some go so far as to place gender at the center of understanding the essence of...
entrepreneurial activities (Lewis 2006; Wagner 2007). Are female and male entrepreneurs really so different? If so, what are the main differentiating factors?

**Numbers: The Status Quo**

The ratio of female to male entrepreneurs is different across regions and countries. In many parts of the world, male entrepreneurs outnumber females by far. While there has been a great increase in the number of female entrepreneurs, research shows that participation is still low. For instance, female entrepreneurs make up 37.7% of all entrepreneurs in New Zealand in 2010. And in the USA, according to their 2002 census, just over one quarter of all US firms in 2002 were owned by females. The trend in the USA for female new ventures is positive with a yearly increase of 20% which amounts to doubling the overall growth rate. In Europe, female entrepreneurs also own and run just a minority of businesses. In the EU, female self-employment ranges from just over 20% to 40% depending on the country. Many European women report that they start businesses to avoid under- or unemployment. For much more women than men in the developed world, self-employment is a part-time activity. In the transitional economies of Eastern Europe and Central Asia, it varies from over 40% (Latvia and Hungary) to just over 8% (Tajikistan).

**Performance: The Status Quo**

In terms of standard measures of performance like earnings, profits, return on capital, growth rates, etc., male entrepreneurs tend to outperform their female competitors. There is general agreement in the literature that female entrepreneurs tend to earn less income and that their businesses grow at a lower rate than those owned by male entrepreneurs, with no difference between developing or developed countries. Overall women’s businesses tend to be smaller, utilizing less capital and finance from banks and other lenders than men’s. This is due to women entrepreneurs concentrating in (sales, retail, and services) industries with lower capital intensities and lower average return on capital and is not due to their lower business effectiveness or capabilities. Even when studies find that female owners earn similar rates of return on assets as male owners, lower investment at the start leads to comparatively lower absolute income and profits for female entrepreneurs. Moreover, women’s businesses tend to generate lower sales turnover than men’s and therefore are less profitable than those of men, even in same industry comparisons.

How can these gender differences be explained?

**Motivation and Characteristics of Female Entrepreneurs**

Major reasons to pursue an entrepreneurial way of life, namely, to solve work issues, are shared among both genders; such is the desire to avoid low-paid occupations, to escape supervision, and to gain the opportunity and flexibility to coordinate family life and other social responsibilities with gaining income. The common ground for these motivations has been increasing in recent times with a trend toward more shared...
child-rearing practices and more joint responsibility for family life in modern societies. The increase in educational qualifications, professional skills, and labor force participation of women in general has promoted a reevaluation of the traditional distribution of family roles. However, while some women enter professional self-employment for similar reasons of career advancement as men, another group enters nonprofessional self-employment primarily to juggle family commitment and work hours. A 2005 Eurostat survey of entrepreneurs in 15 EU countries finds that much more women than men cite the ability to combine family life and childcare responsibilities with work as a motivation to start up their own business. Time-budget studies in developed countries show that women do work fewer hours in business and do more childcare and housework than men. In general, many women perceive their social and child-nurturing obligations as very important, so it is not a surprise that female entrepreneurs strongly identify flexible work hours as their most important incentive toward independent businesses. This is in contrast to male entrepreneurs who identify self-determination and the sense of success and achievement as their main drivers to enter entrepreneurship. Some studies suggest that women are less motivated by growth and profit than men and more by intrinsic goals such as personal fulfillment, flexibility, and autonomy. However, in the light of the aforementioned family obligations, at least the latter two goals can be interpreted as extrinsic motivation rather than intrinsic.

There is evidence showing a number of professional women shunning their corporate careers in favor of entrepreneurship. The “glass ceiling,” flexibility, independence, control, and family are the most commonly cited reasons for why women become entrepreneurs. A recent Dutch study finds that on average, women invest less time in business than men (Verheul et al. 2009). This can be attributed to both a lower preference for work time (driven by risk aversion and availability of other income) and a lower productivity per hour worked (due to lower endowments of human, social, and financial capital). Many young, well-educated, and financially well-off women choose part-time entrepreneurship today as the preferred option to pursue a career and professional development combined with family life while having young children. Sometimes, these women are referred to as “mumpreneurs.” The necessity of earning a living is not the major issue here, but it is in most cases rather a lifestyle choice. Recent studies confirm this trend of increasing rates of married women with children in part-time entrepreneurship in their attempt to combine self-development and family life as a form of post-feminist entrepreneurship. The situation of part-time work might explain the lower success or performance rate of female entrepreneurial ventures than average compared with their male counterparts.

On the other hand, a number of studies point to job transition or reentry into the workforce following a layoff or voluntary leave as a major motivation for self-employment. The 2005 Eurostat Business Success Survey conducted in 15 EU countries finds that a much larger proportion of female than male respondents answer “to avoid unemployment” when describing their motivation for starting their own business. This supports the hypothesis that women more than men are pushed into entrepreneurial activities by changing economic environments and resulting lack of household income. Research into the psychological characteristics of female entrepreneurs has led to a classification into three motivational types: the need achiever entrepreneur, the pragmatic entrepreneur, and the managerial entrepreneur. Need achievers have a high need for achievement, the managerial entrepreneurs have high self-attributed need for power and influence scores, and the pragmatic entrepreneurs are moderate on both motivations of achievement and power. Perhaps, the female situation differs from male characteristics within this framework because women seem to be less power hungry than men. Some Canadian studies suggest that running a small and stable business is the preferred modest practice among female entrepreneurs but not among male ones. Although, there is major support for
a gendered somewhat general concept of entrepreneurship, recent empirical research sheds light on a wide range of perceptions and a variety of distinctions among female entrepreneurs.

Some studies argue that men and women perceive risk differently (Wagner 2007). However, evidence that female entrepreneurs have in general less appetite for risk taking compared with male entrepreneurs is inconclusive and sparse.

**Preferred Industries and Environmental and Societal Factors**

Female and male entrepreneurs start and run business in different industries, develop different products, and also have different goals. International studies in gendered entrepreneurship which concentrate more on environmental (macro) factors than on individual (micro) motivation stress that the chosen sector of activity is important in explaining differences in male and female entrepreneurship. Canadian studies find that “type of business” is a significant factor explaining gender differences among nascent entrepreneurs (Menzies et al. 2006; Pare and Therasme 2010). Moreover, women tend to be less likely to operate in high technology sectors, and they are much more predominant in the service sector (Verheul et al. 2006; Pare and Therasme 2010). In the USA, 69% of women-owned firms were in the service sector. Other studies find that female entrepreneurs tend to concentrate on consumer-oriented sectors (Allen et al. 2008). However, there is also apparently a recent tendency for female entrepreneurs to move away from traditional female industries into male industries like manufacturing. Nonetheless, the overall situation appears to be that women entrepreneurs still favor the service sector and in particular industries which do not require a high start-up capital. Therefore, female entrepreneurs are highly represented in areas such as sales, retail, and specialized care and catering services. This female industry concentration may explain the aforementioned gendered characteristics of smaller scale, more intense competition, and lower average returns.

Both male and female entrepreneurs choose normally industries and businesses for start-ups that are related to areas of former employment. Drawing on previous work, experience reduces the risk of failure and in most cases provides entrepreneurs with access to valuable networks. This practice, of course, reinforces the status quo concerning the choice of industries. For example, historically, there has been a concentration of females in clerical and administration jobs which normally require less-advanced qualifications but also restricted their potential income. Fewer women than men study business and technical subjects. Moreover, men are more likely than women to have had valuable previous work and business experience in industry and in managerial roles. It might explain why female entrepreneurs selected traditional “female” industries in the past and are still choosing them today, although other sectors might be more profitable and promising higher growth rates. The question, “What are the main reasons for these choices: societal pressure or traditional untested gender perceptions and roles?” remains unanswered.

Research suggests that women are sometimes more influenced by external factors like family or community opinions than men. Societal norms vary around the globe and so can the geographical variances of female entrepreneurship and the difference in practices and performances.

**Finance and Other Barriers/Problems for Female Entrepreneurs**

Some studies focus on particular barriers faced by female entrepreneurs. Early research reports major obstacles for female entrepreneurs as problems with finance and credit and property regulations as well as lack of business and financial training. Today, these barriers seem to be more pronounced in developing countries in Africa and Asia and transition economies than in developed countries. Studies about women in these areas report more systematic difficulties with accessing finance than those conducted in North and South America and Europe. However, access to sufficient start-up capital for new ventures in the
poorer regions of the world might not be entirely a
gender issue; the reason for the capital shortage
might be also a general deficiency in supply.

Lack of education, lack of business experience,
and lower financial literacy leading to weaker loan
applications and weaker credit rating scores are
the proposed factors to the diminished equal
opportunities of female entrepreneurs in the
literature. Moreover, most firms led by women
operate in the service sector. Since service sector
firms are often very small, require little start-up
funding, and tend to operate in volatile markets,
all these factors may explain the reluctance of
financial institutions to lend money. Evidence
suggests that discrimination against women has
diminished over the last 10 years and in many
cases completely disappeared. However, females
who perceive prejudice regardless if it is true or
not will experience intrinsic limitations and may
be less likely to ask for outside financing. This in
turn will have an impact on the future growth of
their businesses. Perceived discrimination can
thus become a self-fulfilling prophesy. Another
interesting obstacle has been identified as the
physical appearance of the borrower, the less
attractive and beautiful a female loan applicant
is, the less likely she is going to get a loan
approved.

The legal environment can also function as a
barrier toward female entrepreneurship. If the
legal framework discriminates against women as
to freedom of ownership rights or asset transfers
and adverse marital rules, this all can become a
serious impediment toward doing business suc-
esfully. Even if the law explicitly does not
require the husband’s or father’s signature to
receive a loan for a female entrepreneur, in
some countries, implicit social norms and differen-
tial treatment under the law can have similar
deterring effects.

Overall, women seem to require much less
funding and in particular lower loans to start up
their businesses. While it is not clear if this is
a result of institutional barriers concerning access
to finance for females or due to gender differ-
ences in motivation, it definitely influences their
choice of industry.

Policy Implications

In general, the literature suggests that improve-
ments in the business environment can help pro-
mote high growth of female entrepreneurship.
Women may have relatively less physical and
“reputational” collateral than men, which might
consecutively limit their access to finance. There-
fore, public policies that circumvent the require-
ment of collateral and create alternatives to
secure a loan can promote low-interest loans
and small grants to females wishing to start up
a business and might thus bridge the gap between
genders. Assistance in terms of training programs
in business skills and financial literacy and effec-
tive consulting services might also help aspiring
female entrepreneurs. Interestingly, however,
research into existing support programs indicates
that there is no real gender difference. Male and
female entrepreneurs seem to be virtually identi-
cal in terms of their needs for assistance. Females
do not appear to need more assistance than males
nor do they appear to require different types of
assistance. The virtually identical ratings of ser-
vice value among males and females also indicate
that both genders are equally satisfied with the
assistance received.

The strengthening of a legal framework unbi-
ased toward gender and thus allowing females to
operate under the same conditions as males
would go a long way toward progress of female
entrepreneurs in some countries.

There are of course also societal measures
conducive to possibly improve the future devel-
opment of female entrepreneurs. Some of these
more general recommendations call for women to
be encouraged to study fields other than liberal
arts. Women need access to seminars on finance,
management, marketing, etc. And finally, it is
recommended that women seek assistance from
experts, colleagues, and friends to establish for-
mal and informal networks. Experienced female
business owners emphasize that in order to fur-
ther develop women’s role in business, stereo-
types concerning women as entrepreneurs
need to be eliminated through public awareness
workshops and more visible role models and that
mentors for younger women are needed.
A Role Model from the Past

While Coco Chanel was arguably the most famous French self-made woman of the twentieth century, “Veuve” Barbe-Nicole Clicquot was certainly the most impressive female French entrepreneur of the nineteenth century (Mazzeo 2008). Widowed in her late twenties, in the middle of the Napoleonic Wars, without formal training and no experience, she had to take over a small struggling family vineyard from her husband and turn it into probably the most important champagne house of the nineteenth century. Madame Clicquot led the wine brokerage through several failed attempts to expand sales of her champagne to Britain and other parts of Europe and created an amazing vintage in 1811. Not only did she manage to protect this treasure in her cellars from looting by Russian occupying troops in her hometown Reims, but she also used the chance to introduce Russian officers to her sweeter, fortified champagne. As soon as the opportunity arose to export French wine to Russia in 1815, she seized it and shipped and sold her magic 1811 vintage ahead of all other competing vineyards with great success in St. Petersburg and Moscow. Because of this success, she is credited today for “internationalizing the champagne market” and “establishing brand identification.” Moreover, Madame Clicquot invented and developed a process called in French remuage sur pupitre which is an efficient system of clearing champagne of the yeasty debris trapped in the bottle after secondary fermentation to create the bubbles. Even today, this procedure is indispensable to reduce wasting wine and does significantly increase the output of wine from each bottle. Keeping it an industrial secret, this method helped her in gaining competitive advantage over her competitors for 20 years.

An Exemplary Case in the Present

In some instances, female founders of companies employ exclusively women to gain competitive advantage. The Japanese company Digimom presents an example for this. The motivation for such a practice was to tap into the underutilized female workforce in Japan. As the authors researching Digimom point out, one of the four most important success factors for the company is the right choice of industry (Futagami and Helms 2009), which is linked to an exclusively female workforce. The advantage is that Digimom’s provision of IT services allows for flexible work from home. Such an option is much harder to offer in sectors other than the computer service industry.

Conclusion and Future Directions

It is interesting to note that women entrepreneurship is not a recent phenomenon, let us say, of the last century. In fact, the “champagner” story indicates that successful businesswomen can be found throughout history. The beginning of mainstream research into start-up ventures, clearly centered on the entrepreneurial (in particular male) behavior traits. It was sought to understand what kind of prerequisites and characteristics the individuals had to have for entrepreneurial high achievement. Thus, classical entrepreneurial research produced evidence that featured decisiveness, aggressiveness, business acumen, and risk-taking behavior. The success in business, of course, was “male” and measured mainly through quantitative outputs and “hard” facts. During the last 20 years, research on female entrepreneurship developed, which questioned the necessity of male attributes for the female entrepreneur; thus, this new research branch moved away from the mainstream model of entrepreneurs to explore entrepreneurship with a gendered focus. It seems now widely accepted that female entrepreneurs are often different from their male counterparts. Women choose different industries and products than men and, in many cases, have different motivations and goals. Discrimination and differences in social roles might not be the only factors influencing these choices; females might have also a different attitude toward resources and the sustainable use of them. Current research into gendered entrepreneurship in developing economies, in particular, pertains
to microfinance/microenterprise development and supports this notion.

What Should Be the Target of Future Research?

The developing field of gendered entrepreneurship needs a stronger theoretical base in order to mature. Integrative theoretical frameworks would provide a better base for scientific discussions. Currently, there is plenty of interesting empirical work, case studies, and other qualitative enquiries, such as narrative and interpretivist studies, being done, which increases our understanding of the issues and motivations of female entrepreneurs. However, a useful theoretical structure to integrate what we know so far is missing.

On the other hand, entrepreneurship scholars could explore more opportunities for interdisciplinarity in their work. Much is to be gained from inputs from other academic fields such as social sciences, gender and diversity, psychology, management, leadership, international business, international strategy, and so forth. Thus, multidisciplinary collaboration on female entrepreneurship should be pursued more often.

As the field matures, we might move away from looking mainly at negative aspects, the disadvantages, and barriers to female entrepreneurs in comparison to their male counterparts. It might pay to concentrate on the strong positive features of women entrepreneurs for future research.

In conclusion, future research should focus on the internationalization of female entrepreneurship, especially beyond the mainstream Anglo-Saxon context. The time is ripe for abandoning the rather ethnocentric stance that industrialized countries provide all the answers to successful (female) entrepreneurship. In order to achieve more sustainability and real action to tackle global poverty, research into female ethnic entrepreneurship might provide solutions. Many women entrepreneurs in developing economies are able to create successful ventures, albeit sometimes very modest ones, with little start-up capital and outside official financing. This fact should actually be celebrated as strength. Female entrepreneurs are obviously innovative and resourceful. And as resources diminish globally, the female entrepreneurial model might become extremely valuable in future.

Cross-References

- Entrepreneurial Capability and Leadership
- Entrepreneurship and Social Inclusion
- Policies to Promote Entrepreneurship
- Psychological Aspects of Entrepreneurial Dynamics

References


