The Effects of Gender and Perception on Entrepreneurship in Developing Countries

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This study analyzes and predicts the effects of gender and perceptions of several variables on entrepreneurship in developing countries. Factors that may affect entrepreneurship include fear of failure rate, whether entrepreneurship is considered a desirable career choice, high status successful entrepreneurship, media attention for entrepreneurship, employment status and informal investors rate.

Entrepreneurship may be the only choices for individuals, especially women, in this difficult economic economy. As a result, the study of what causes women to become entrepreneurs is even more important. Previous research in entrepreneurship focused on developed countries, however this study focuses on 11 developing countries.

Chi-square analysis and logistic regression analysis were used in this study, to determine the effects of gender and perception on entrepreneurship. The results show gender and perceptions have a statistically significant effect on one’s decision to open their own business.

Introduction

1.1 General Objective

The main research question addressed in this paper is whether gender and perceptions thereof affect entrepreneurship. More specifically, this paper discusses how certain perceptions affect men and women’s decisions to start their own businesses. Given the transformations taking place in female entrepreneurship at the national and international levels and the importance of such entrepreneurship for economic growth and poverty alleviation, plus the lack of research exploring this topic outside of a few developed countries (Kobeissi, 2010), this paper aims to fill a gap by focusing on female entrepreneurs in developing countries. Verheul, van Stel, and Thurik (2006) also point out the scarcity of research on female entrepreneurship across countries and emphasize the importance of including gender-specific determinants in future research and expanding the number of sample countries. Since this paper includes data from eleven countries and focuses on gender-specific determinants, it will address the aforementioned gap, thus underscoring the need for this research.

Since the mid-1980s, entrepreneurship has been increasingly considered an important tool for economic growth and innovation across economies, despite the stage of economic development (Acs, Desai, & Klapper, 2008). In an economic downturn, entrepreneurship may be the only alternative for some individuals, and especially women.

All over the world, and throughout history, people have started their own businesses. Thus, entrepreneurship is a trans-national phenomenon with country-specific
aspects, and understanding it requires two different, but related, components (Minniti & Nardone, 2007). Minniti and Nardone (2007) point out that there are factors that influence entrepreneurship across all countries, which are, on the one hand, universal determinants of entrepreneurial behavior, and on the other hand, aspects of entrepreneurship that are culture-specific. This paper aims to focus on both of these components by analyzing entrepreneurship data from ten developing countries to determine how perceptions affect an entrepreneur’s decision to start her own business. Bygrave and Minniti (2000) argued that the entrepreneur’s behavior produces the conditions for new markets to develop, which creates new entrepreneurial opportunities. Thus, entrepreneurs act as catalysts for the economic activity of an entire economy (Bygrave & Minniti, 2000). Therefore, more entrepreneurs are needed worldwide to stimulate the economy.

In addition, Sanyang and Huang (2010) believed entrepreneurship to be a source of innovation and change; as such, entrepreneurship stimulates improvements in productivity and economic competitiveness. They also pointed out that the entrepreneur has been an essential agent in most production, distribution, and growth theories (Sanyang & Huang, 2010), which is another reason why more entrepreneurs are necessary to improve our economy.

1.2 Background

Hurley (1999) suggested that entrepreneurship is very important to both organization theory and society, and that entrepreneurs have played a large role in the changes and growth of the business world and the material progress of society. It is therefore important to understand what motivates entrepreneurs to start their own businesses, since more entrepreneurs are needed to help the worldwide economy.

Theories of entrepreneurship offer different perspectives on entrepreneurial behavior and activities. For example, Schumpeter (1934) considered entrepreneurs to be those individuals who create new combinations, markets, products, or distribution systems, while Kirzner (1985) identified entrepreneurs as those who are better able to utilize information in a way that allows them to discover opportunities that others may not. Bygrave and Hofer (1991) asserted that the entrepreneurial process involves all the functions, activities, and actions associated with the perception of opportunities, and the creation of organizations to pursue them. Low (2001) defined entrepreneurship as the "creation of new enterprise" and proposed that "entrepreneurship research seek to explain and facilitate the role of new enterprise in furthering economic progress" (p. 19).

More recently, Shane (2003, p. 4) defined the entrepreneur as "an individual who discovers, evaluates, and exploits opportunities to introduce new goods and services, ways of organizing, markets, processes, and raw materials through organizing efforts that previously did not exist". Although each of the above definitions is different, they all infer that entrepreneurs exploit opportunities and through these opportunities stimulate the economy.

Casson (2005) explained that the resource theory highlights the importance of human resources, as reflected in competencies and capabilities, to the performance of the firm. In addition, Casson (2005) noted that the theory of entrepreneurship asserts that the abilities of the entrepreneurs are the primary human resource possessed by the firm, and he added that the theory also relates entrepreneurial
capabilities to the nature of the business environment. Social learning theory argues that, as a result of their different socialization experiences, women may lack strong expectations of personal efficacy in relation to many career-related behaviors, and they therefore may not fully reach their potentials (Hackett & Betz, 1981).

Expectancy theory is the dominant theoretical framework for explaining human motivation. The concept of expectancy forms the basis of human behaviour (Manolova et al. (2008) The theory assumes that action will be taken when an individual believes that his or her efforts will lead to successful performance, which will bring certain outcomes with either direct positive value or will lead to other valued outcomes (Manolova et al. (2008). This may explain why Manolova, Brush, and Edelman (2008) believed expectancy theory to be a good theoretical framework within which to understand entrepreneurial start-up motivations. Women and men would not decide to become entrepreneurs were they not expecting a positive outcome.

1.3 Relevance of Study

Studying female entrepreneurship not only contributes to our understanding of entrepreneurship and human behavior in general, but allows researchers to ask questions that shed light why women behave the way they do, and furthermore on the relationships between entrepreneurship and wealth creation, employment, human capital accumulation, labor market dynamics and many others (Minniti & Naudé, 2010). Despite a growing literature, as Greene, Brush, and Gatewood (2007) pointed out, we need more research on female entrepreneurship, a point argued by De Bruin, Brush, and Welter (2006) who observe that, although women are one of the fastest rising populations of entrepreneurs and make a significant contribution to innovation, job, and wealth creation in economies across the globe, they are “vastly understudied” (p. 585). These studies average only 6%–7% of the total publications since 1994, across the top eight refereed entrepreneurship journals (De Bruin et al., 2006). Since this paper focuses on how perceptions affect female entrepreneurs’ decisions across various developing countries, it serves a vital role in enhancing the research on female entrepreneurship.

When the Diana Project team won the 2007 International Award for Entrepreneurship and Small Business Research, the importance of researching female entrepreneurship became clear, since a precondition for choosing the winner of the award is that the research is a significant contribution to the theoretical and empirical understanding of entrepreneurship and the importance of entrepreneurship, new firm formation, and small businesses in economic development (Holmquist & Carter, 2009). The Diana project investigated the supply and demand side of growth capital for female entrepreneurs and contributed to entrepreneurship theory and practice, filling a void in the knowledge on growth-oriented female entrepreneurship (Holmquist & Carter, 2009). In addition, the work of the Diana Project has contributed a great deal to widening female entrepreneurship as a side stream and may even transform it into a main stream (Holmquist & Carter, 2009).

Gartner (2001) recommended that the field of entrepreneurship develop communities of scholars tasked with specific research questions and issues. At many schools, including several top-ranked schools, entrepreneurship is the hottest area of study
with the largest student enrollments (Low, 2001), which highlights the importance of determining how perceptions and gender affect entrepreneurship. Most policymakers and academics agree that entrepreneurship is critical to the development and well-being of society (Kelley, Bosma, & Amoros, 2011). Entrepreneurs create jobs and both drive and shape innovation, speeding up structural changes in the economy. According to Kelley et al. (2011), by introducing new competition, entrepreneurs contribute indirectly to productivity. As a result, entrepreneurship is a catalyst for economic growth and national competitiveness (Kelley et al., 2011).

According to Maria Minniti, GEM research director and associate professor of economics and entrepreneurship at Babson College, GEM research found that entrepreneurs often help drive new technology adoption in middle-income economies, which helps close the per capita income gap between middle- and high-income countries (Moules, 2006). These results provide yet another reason why entrepreneurship is important for economic growth.

In addition, Ahl and Nelson (2010) believed that the possibility of entrepreneurship is one of the most important social, cultural, political, and economic issues in terms of impact on individuals and their families and communities, regardless of culture or nation. Since this paper includes data from ten developing countries, the results will show how perceptions and gender affect entrepreneurs in various cultures and countries.

As the Diana Project team has shown, women entrepreneurs are under-represented both in terms of access to venture capital and in growing companies (Holmquist & Carter, 2009). They also found that women entrepreneurs are under-represented in research, despite the fact that between one-quarter and one-third of all entrepreneurs are women (Holmquist & Carter, 2009), which justifies this paper’s imperative of focusing on how perceptions affect female entrepreneurship.

For the reasons stated above, this study is relevant to researchers, academics, business owners and politicians, and is therefore essential.

1.4 Potential Contribution

As mentioned above, there is a great need for more research on female entrepreneurship. Specifically, there is a lack of research on female entrepreneurship in developing countries. Since this paper focuses on how perceptions and gender affect entrepreneurs’ decisions in eleven developing countries, a major gap in entrepreneurship research will be addressed.

In 2010, the Global Entrepreneurship Monitor (GEM) surveyed over 175,000 people in 59 economies, which was the largest, most geographically and economically diverse group surveyed. This group covers over 52% of the world’s population and 84% of the world’s GDP (Kelley et al., 2011). The 2010 survey shows that, in the economies analyzed, some 110 million people between 18 and 64 years old were actively engaged in starting businesses and another 140 million were running new businesses they had started less than three-and-a-half years earlier (Kelley et al., 2011). Together, some 250 million were involved in what GEM defines as early-stage entrepreneurial activity. Of these individuals, an estimated 63 million expected to hire at least five employees over the next five years, and 27 million anticipated hiring twenty or more employees in five years (Kelley et al., 2011). This illustrates the contribution of entrepreneurship to job growth across the globe and how
entrepreneurship can help improve any economy, which underscores the importance of this research.

According to GEM’s 2010 survey, there are more entrepreneurs in the 25–34 age group than any other age range, and women’s participation in entrepreneurship relative to that of men ranges markedly (Kelley et al., 2011). In the Republic of Korea, there are five times more men than women entrepreneurs; however, in Ghana there are actually less men than women starting businesses (Kelley et al., 2011). Understanding the similarities and differences in the entrepreneurial activity of men and women is an important question for both scholarly understanding and public policy. If male and female entrepreneurs engage in entrepreneurial activity in the same way and with the same outcomes, then gender would not be an important dimension for entrepreneurship researchers or policymakers to consider, and this paper would not be necessary. However, a solid understanding of how the unique characteristics of female entrepreneurship are accounted for by the existing models of growth would be very advantageous for both science and policy (Minniti & Naudé, 2010). In addition, as Kelley et al. (2011) suggested, research into the gender perspective of entrepreneurial intention is key to gaining deeper insight into the economic and social phenomenon of female entrepreneurship.

An economy’s entrepreneurial capacity requires individuals with the abilities and motivations to start businesses. These entrepreneurs, however, will need to rely on a wide variety of personal and professional support mechanisms: families, advisors, government officials, creditors and investors, suppliers and customers, and so forth. These stakeholders need to be willing to support entrepreneurs, perhaps even taking some risks along with them (Kelley et al., 2011).

At a time when governments are faced with the challenges of stimulating their economies, they can look toward entrepreneurship as a major stimulus of new employment (Kelley et al., 2011). Economies need to enable people to start businesses when it is necessary, but they also need to support those attracted by opportunity to venture into entrepreneurship, even when they have other work options available (Kelley et al., 2011). This study will show how perceptions affect females’ decisions to become entrepreneurs, which can be used to create incentives to encourage more women to start their own business, which will in turn help the worldwide economy.

Review of Literature

2.1 Female Entrepreneurship

In 2008, female-owned businesses in the US totaled 10.1 million firms, which employed close to 13 million people and generated $1.9 trillion in revenues (Kobeissi, 2010). While the general outlook for female entrepreneurs seems promising and their potential for job creation and economic growth can be important, women’s attempts to fully participate in entrepreneurial activities are still limited by many constraints that are often gender-specific (Coleman, 2002).

Early work on entrepreneurship (e.g. Schumpeter, 1934; Kirzner, 1973) assumed that most entrepreneurs would be men. In addition, Arenius and Minniti (2005) found that entrepreneurship is a young man’s game. Their results suggest that women are
only half as likely to start a new business as men, which is consistent with previous empirical findings (Arenius & Minniti, 2005). However, women own more than 40% of the privately held firms in the US (Brush, 2006). The phenomenon of female entrepreneurship is also increasingly global, with a Global Entrepreneurship Monitor (GEM) study estimating that women own between 25% and 33% of formal sector businesses around the world (Minniti et al., 2005).

These developments have led to the emergence of a large literature on female entrepreneurship that analyzes personal attributes, access to finance, and the role of social networks (Estrin & Mickiewicz, 2009). While male and female entrepreneurs are similar in age, education, and motivation, significant differences have been identified (Estrin & Mickiewicz, 2009), which will be discussed in this section. As Kelley et al. (2011) stated, economies need many different types of entrepreneurs, including those that may be underrepresented (e.g. younger and older individuals, women and poorer or disadvantaged groups). When an economy neglects a large demographic in its entrepreneurship ranks, it misses an opportunity to fully benefit from its entrepreneurial potential (Kelley et al., 2011). This section focuses on why more research on female entrepreneurship is necessary and would benefit female entrepreneurship.

In recent years, the rate of new business formation by women has significantly outpaced the rate of new business formation by men across all ethnic groups in the United States (CWBR, 2004). Similar trends have been found across the developing world. However, overall, females still own and manage considerably fewer businesses than men (Minniti & Naudé, 2010).

The research over the last few decades shows conflicting results. When Johnson and Storey (1993) studied 298 U.K. businesses, 67 of which were female-owned, they concluded that "women who do manage to set up and remain in business do not appear to differ markedly from those of male entrepreneurs" (p. 85). Kalleberg and Leicht (1991) studied roughly 300 firms in three industrial sectors in Indiana and, similar to Johnson and Storey, concluded that women were just as successful as men. More specifically, Kalleberg and Leicht (1991) found that businesses headed by women were no more likely to go out of business nor were they less successful than those owned by men. In addition, there were no differences in earnings growth between businesses headed by men and those headed by women (Kalleberg & Leicht, 1991).

Similarly, Du Rietz and Henrekson (2000) concluded that even at the most aggregated level, there is no significant difference in perceived profitability across gender. In addition, Masters and Meier’s (1988) study showed no significant differences in the risk-taking propensity of male entrepreneurs compared to female entrepreneurs. However, the relatively small sample size (50 respondents) and geographically limited sample could have constrained the generalization of their results. After controlling for industry, age of business, and the number of days a business operated, Watson (2002) found no significant differences between male- and female-controlled businesses with respect to total income to total assets, the return on assets, or the return on equity. However, if the control variables are removed, there is evidence to suggest that female-controlled businesses actually outperform male-controlled businesses (Watson, 2002).

The results for these studies imply that women are just as proficient and successful as men in maintaining and growing their businesses. That is to say, businesses
owned by women are not necessarily any less successful as compared to businesses owned by men. The difference in less successful businesses owned by women is due to less women attempting to open their own businesses. If women are motivated to start their own businesses, there could be more successful businesses owned by women.

In contrast to the above results, several studies have shown differences between female and male entrepreneurs. Mueller (2004) pointed out that the research on gender differences in entrepreneurship indicates that while post-venture creation (retrospective) studies find little or no differences between male and female entrepreneurs, pre-venture (prospective) studies and theories suggest that there may, indeed, be significant differences between men and women in terms of their motivations, inclinations, and intentions when starting a business. This further suggests that gender differences arising from social factors such as social learning, sexual stereotypes, past experiences, and role modeling may be culture-dependent (Mueller, 2004).

Du Rietz and Henrekson (2000) identified systematic structural differences between male- and female-headed firms in several respects. Female-headed firms tend to be smaller, to be underrepresented in manufacturing and overrepresented in services, to produce more for private consumption and for the public sector than do male firms; among firms selling/producing intermediate inputs, male firms tend to have larger customers as judged by (Du Rietz & Henrekson, 2000). These authors also found a significant difference in performance except for orders. In addition, Du Rietz and Henrekson (2000) pointed out that female underperformance is particularly pronounced for growth-related measures, while in terms of profitability the difference is much smaller. This also translates into lower expectations among female entrepreneurs for future growth, although among those who see a potential for expansion, women are at least as likely as men to believe that the potential can be realized (Du Rietz & Henrekson, 2000).

Brush (1992) summarized early research examining a great many aspects of female entrepreneurship and found that the bulk of the aggregate evidence from national data for the US points toward female underperformance by conventional production, employment, profitability, and other performance indicators. Fischer (1992) found inferior performance among women entrepreneurs on a sample of Canadian firms in six different service industries. Rosa, Carter, and Hamilton (1996) studied 600 U.K. enterprises (half male/half female) in textiles and clothing, business services, and hotel catering. They, too, found considerable differences by gender, and discovered that female-owned businesses underperform in terms of number of employees, VAT registration, sales, and capital assets (Rosa et al., 1996).

In their study of 1,473 Spanish active entrepreneurs, Gonzalez-Alvarez and Solis-Rodriguez (2011) show that men discover more business opportunities and possess more human and social capital than do women. Furthermore, Du Rietz and Henrekson (2000) showed that female entrepreneurs were less likely to own multiple businesses, less eager to plan for expansion, and, where expansion was planned, utilized strategies for growth that were often significantly different from those of men. Fairlie and Robb (2009) showed that female-owned firms are 12.9% more likely to close, 52.6% less likely to have profits of at least US$10,000, and 31.1% less likely to hire employees than male firms. Female-owned firms also have mean annual sales that are roughly 80% lower than the mean sales of male-owned firms (Fairlie &
Robb, 2009). Even conditioning on hours, Fairlie and Robb (2009) found that women-owned businesses have much lower levels of sales than businesses owned by men. In addition, these authors pointed out that female business owners are less likely to have very low levels of education than male business owners, but they are also less likely to have graduate degrees (Fairlie & Robb, 2009).

In Canada, the past few decades have witnessed an increase in the proportion of firms created by women. However, despite the increasing number of female entrepreneurs, research in the field keeps reporting that women are twice less likely to start businesses than are men (Robichaud, LeBrasseur, & Nagarajan, 2010). When a woman starts a venture, it is smaller in size and shows a lower growth level compared to male-controlled firms (Robichaud et al., 2010). As discussed above, there is need of more incentives to encourage more women to start their own businesses.

Discrimination against women is frequently the result of gender beliefs inherent in a culture or society (Minniti & Naudé, 2010). This may have the effect of not only reducing women’s likelihood of becoming entrepreneurs and their earnings as entrepreneurs, but may also reduce the non-financial benefits women receive from entrepreneurship (Minniti & Naudé, 2010). Similarly, Burke, FitzRoy, and Nolan (2002) pointed out that self-employed females may have a greater need to trade-off financial for non-financial objectives, and therefore they may find themselves more often in less profitable activities. This paper focuses on what motivates women to start their own businesses, so that governments and policies can focus on encouraging more women to become entrepreneurs.

Earlier female entrepreneurs known as the “traditionals” were usually sole proprietors who extended domestic services and related skills into the marketplace (Brush et al., 1999). However, with the abundance of female participation in the labor force, a second generation of women entrepreneurs known as the “moderns” arose (Brush et al., 1999). These women consider their business ownership in terms of a career, rather than just supplemental family income, and they have made entrance into traditionally male-dominated industries (Brush et al., 1999). This paper will help uncover what motivates these “moderns” to start their own businesses.

The precursors to women becoming entrepreneurs, especially women's organizational experiences, are complex and multidimensional (Brush et al., 1999). Reasons why women leave corporate life include a complex mix of personal aspirations and organizational factors rather than the often-assumed reason of family demands (Brush et al., 1999). Female entrepreneurs, regardless of whether they are intentional entrepreneurs or corporate climbers, have found that the corporate atmosphere stifles their desires to pursue new challenges (Brush et al., 1999). Also, gender discrimination played a part in many women's decisions to leave their corporations (Brush et al., 1999). A female entrepreneur considers her career development within organizations as a valuable experience for her own business (Brush et al., 1999). Her former organization served as training ground or incubator within which she could acquire expertise in management, marketing, finance, and new technology (Brush et al., 1999). As a result, many women have the skills, experience, and education necessary to become successful entrepreneurs. However, they need their governments to provide support to help them realize their ambitions.

Women entrepreneurs shine a light toward different career paths and options that may exist beyond the glass ceiling. Moore and Buttner (1997) pointed out that it may
be inspiring for up-and-coming young professional women (and men) to have strong role models who have created an alternative career path up the corporate ladder. By moving beyond the glass ceiling, these entrepreneurs have formed organizations that match their values and have shown others how to create new career realities beyond traditional organizational boundaries (Moore & Buttner, 1997). Young women need female role models toward whom they can look up, and once they see other female entrepreneurs becoming successful, they will realize they have other alternatives for work.

Moore and Buttner (1997) found that female entrepreneurs’ definitions of success extend beyond the traditional external measures of profit and business growth to include internal measures such as personal growth, professional development, and skill development. In addition, female entrepreneurs often incorporate multiple organizational roles and multiple dimensions of their lives, such as balancing home and work, into a leadership role (Brush et al., 1999). Female entrepreneurs use networks as strategic alliances for managing the business, accessing resources, developing ideas, and cultivating social support (Brush et al., 1999). Despite the importance of their networks, women often feel they do not fit within the existing male networks. Because most female entrepreneurs do not carry over an extensive network from their previous organization, feelings of isolation at the top may continue until a more appropriate network is established (Brush et al., 1999).

In 2010, women’s participation in entrepreneurship compared to men’s ranged from a ratio of 20:100 in the Republic of Korea to 120:100 in Ghana (Kelley et al., 2011). Ghana is the only country in which female entrepreneurs outnumber male entrepreneurs. In the United States, there are about 85 female entrepreneurs for every 100 male entrepreneurs (Kelley et al., 2011).

Female entrepreneurs need to rely on the cooperation and willingness of stakeholders such as investors and creditors, employees, suppliers, and customers. When these factors act as impediments, society misses an opportunity to gain from the entrepreneurial energy of half its population (Kelley et al., 2011). Entrepreneurship does not impact an economy simply through more individuals starting businesses. It is important to consider quality measures like those relating to the motivations and ambitions of entrepreneurs (Kelley et al., 2011). As discussed above, more female entrepreneurs are necessary to help the economy of each woman’s respective country.

Economies need people to self-employ when required. Necessity-based entrepreneurs start businesses particularly when and where basic requirements are not fully developed (Kelley et al., 2011). Entrepreneurship can thus provide a source of income and salaried position when an economy cannot supply enough jobs or other alternatives for generating wages or salaries (Kelley et al., 2011). When economies are not doing well, more entrepreneurs are needed to help the economy. Recent studies have revealed differences in individual factors affecting gender entrepreneurial activities across countries (Sigh & Reynolds, 2001; Mueller, 2004; Verheul et al., 2006). These differences were most evident when examining factors shaping the performances and experiences of female entrepreneurs in developed versus developing countries (Marlow & Patton, 2005). Some evidence is emerging to support certain entrepreneurship variables, yet clear empirical support is still lacking for most gender-related variables about the direction, intensity, or process leading to a particular result in developed versus developing countries (Kobeissi,
2010). This is another reason why this research focuses on female entrepreneurs in developing countries. As Kepler and Shane (2007) suggested, researchers and policymakers need to understand that studies that do not take into account the differing natures of male- and female-owned firms could lead to misleading results.

In a national study of entrepreneurial tendencies among youth, Kourilsky and Walstad (1998) found that females were less interested in starting businesses and less confident in their abilities. Similarly, Hofstede (1998) pointed out that the pervasiveness of gender stereotypes in a country tend to generate traditional gender roles, with men assuming roles that reward assertiveness and independence — qualities generally associated with entrepreneurship — and women assuming roles that reward nurturing and cooperation. In addition, Shiller and Crewson (1997) found that role models, self-assurance, and marriage were positively related to the supply of female entrepreneurs, while education and experience were negatively correlated with entrepreneurship.

Empowering women and treating females in the same manner as men make it easier for entrepreneurs to succeed in their business endeavors (Sigh et al. 2001). Gender empowerment enables women to break away from occupational stereotypes and improves their abilities to make their own decisions within the family and within society as a whole (Kobeissi, 2010).

To unify the differences discussed above, a new perspective for thinking about female-owned businesses is proposed — one that looks at the business through the eyes of a woman. As Brush (1992) pointed out, women perceive their businesses as cooperative networks of relationships rather than as separate economic units. By focusing on what motivates females to start their own businesses in developing countries, this paper will enhance the existing research.

2.2 Entrepreneurship and Fear of Failure

Minniti (2010) believes that although there is some agreement that individuals with lower risk tolerance (higher fear of failure) are less likely to be involved in entrepreneurial activity, no final evidence has yet been found with respect to gender differences. On the other hand, Radu and Fourcade (2010) believe that fear of failure, which is identified as one of the main obstacles to new business creation, significantly impacts entrepreneurial self-efficacy beliefs, and therefore entrepreneurial intentions. In addition, Weick (1990) pointed out the fear of failure produces stress that consumes information-processing capacity, with decreasing effects on cognitive efficiency and counter-productive behavioral consequences.

More specifically, the results of Sánchez Cañizares and Fuentes García’s (2010) fieldwork, based on a sample of Spanish University students, suggested that women are less prone to initiate entrepreneurial activity and that fear of failure is a major obstacle in setting up a company.

A core finding in Wagner’s (2007) study of German entrepreneurs is that the difference between men and women in both the extent and the effect of considering fear of failure as a reason not to start one’s own business is important for the explanation of the gap in entrepreneurship by sex. More specifically, 56% of all women but only 44% of all men in the sample consider fear of failure a reason not to become self-employed (Wagner, 2007). Llussà (2011) found that a larger impact of fear of failure in female entrepreneurial rates compared to males was one of the main differences across genders, as well as lower impact of secondary education.
and larger impact of skills. The above studies focused on entrepreneurs in developed countries (e.g. Germany & Spain). This study will focus on entrepreneurs in developing countries, which I believe will have similar results as entrepreneurs in developed countries. This reasoning leads to the following hypothesis:

H1: Women in developing countries are less likely than men in developing countries to undertake entrepreneurial activity when fear of failure would prevent them from setting up a business.

2.3 Entrepreneurship, Desirable Career Choice and High Status

According to ‘entrepreneurial event’ theory, individuals decide to create a firm when the entrepreneurial activity is perceived to be more desirable and more feasible than other alternatives (Shapero & Sokol, 1982). However, Shapero and Sokol (1982) did not discuss how this perception might be different for females as compared to males. Liñán, Santos, and Fernández (2011a) pointed out that, although an individual’s intention level is affected by both perceiving a high respect for entrepreneurs in the society and considering entrepreneurship to be a desirable career choice, the effect is quite weak.

As discussed above, women lack the necessary confidence and seek the approval of others, which leads to the following hypothesis:

H2a: Women in developing countries are more likely to undertake entrepreneurial activities when, in their respective countries, most people consider starting a business a desirable career choice, as compared to when most people in their respective countries do not consider starting a business a desirable career choice.

Similarly, most men do not need approval from society in order to pursue their career choices, which leads to the next hypothesis:

H2b: Women in developing countries are less likely than men to undertake entrepreneurial activities when, in their respective countries, most people do not consider starting a business a desirable career choice.

Manolova et al. (2008) indicated that there are significant differences in motivations for starting a new business, with men being motivated by financial gains, self-realization, and autonomy; however, for women, status is an additional significant motivating factor. The results confirm the explanatory power of expectancy theory in examining entrepreneurial start-up motivations (Manolova et al., 2008).

More specifically, Verheul et al. (2005) pointed out that one interpretation of the difference in the significance of status to women and men is that entrepreneurship is perceived as a ‘male’ domain. Given previously established relationships between entrepreneurial activity and perception, it may be that, for women, she believes that starting a new venture will lead to additional status because it is a task more often associated with masculine behavior (Verheul et al., 2005). In addition, the desire among women to achieve status through the creation of a business venture may be induced by the gender-based horizontal and vertical market segregation, which influences the number and type of labor opportunities for women (Verheul et al., 2005). This leads to the following hypothesis:

H3: Women in developing countries are more likely to undertake entrepreneurial activity when successful entrepreneurs in their respective countries receive high status than when successful entrepreneurs in their respective countries do not receive high status.
2.4 Female Entrepreneurship and the Media

If we believe what we read in the press or the media, there is a perception that women are less competent, less entrepreneurial, and perhaps should not be entrepreneurs at all (De Bruin et al., 2006). It is widely accepted in academic circles that traditional entrepreneur stories, with their masculine bias, simply do not resonate with all women, and therefore cause a disconnect between gender and narrative (Smith, 2009).

Kelley et al. (2011) pointed out that efforts to promote entrepreneurship might benefit from improving the perspective of the wider population, which emphasizes the role of media in promoting positive images of entrepreneurs. Smith (2009) pointed out the link between the ‘Diva’ phenomenon and the practice of entrepreneurship by indicating that an increasing number of women entrepreneurs are choosing to adopt a ‘Diva’ identity. The introduction of the internet and chat rooms for online communities has helped female entrepreneurs find information and support from other successful female entrepreneurs. For example, a new online peer community for female entrepreneurs, www.divapreneur.org, was created as a premiere network for modern female entrepreneurs looking for information, advice, support, and empowerment from other female business owners (Smith, 2009). This site creates a sense of community and uses ‘Teach Night’ Podcasts that allow members to share their various expertise (Smith, 2009). Members get 360-degree access to other members, thereby enhancing their networking capabilities and developing their confidence in being themselves (Smith, 2009). These internet sites share a mentoring role in fostering a new generation of women entrepreneurs with a positive ‘Diva’ attitude (Smith, 2009). Female entrepreneur role models are needed to help potential female entrepreneurs become successful.

Smith (2009) provided evidence of the influence of journalistic license on how successful women are portrayed as ‘Diva’s.’ The study added further credence to the power of male-dominated journalistic practices to vilify enterprising behavior as a means of selling newspapers (Smith, 2009). Although journalists are not policymakers, they influence enterprising individuals and have responsibilities to a wider audience (Smith, 2009).

Baker et al. (1997) pointed out that female entrepreneurs are much less ‘visible’ in the popular media. Their study found that women in general, as well as women entrepreneurs, were featured less than 20% of the time in major US media outlets such as the New York Times (Baker et al., 1997). In addition, Linan et al. (2011a) believed that the perception that successful new businesses are frequently featured in the public media contributes to increasing the entrepreneurial intention of respondents more clearly. This leads to the following hypothesis:

\[ H4: \text{Women in developing countries are more likely to undertake entrepreneurial activities when they often see stories in the public media about successful new businesses compared to not seeing stories in the public media about successful new businesses.} \]

2.5 Entrepreneurship and Opportunity

Shane and Venkataraman (2000) believed that the cognitive process makes some individuals more sensitive than others to the different economic opportunities provided by the market and the available resources. In addition, these authors
pointed out that an increasing number of scholars agree that opportunity recognition is the most distinctive and fundamental entrepreneurial behavior (Shane & Venkataraman, 2000). Moules (2006) showed that countries with a higher share of opportunity-driven entrepreneurship have a lower share of early-stage business failures compared to countries with a high share of necessity-driven entrepreneurship. Arenius and Minniti (2005) found that opportunity perception is also positively and significantly related to being a nascent entrepreneur. The positive impact of this variable is easily reconciled with the economic theory of entrepreneurship, which states that alertness to unexploited opportunities is a necessary condition for entrepreneurial action (Kirzner, 1973, 1979). Unfortunately, women usually do not have access to the same opportunities as men, which leads to the following hypothesis:

\[ H5a: \text{Women in developing countries are less likely than men to undertake entrepreneurial activity when (i) driven by opportunity as opposed to finding no other option for work; and (ii) when the main driver for being involved in this opportunity is being independent or increasing their income, rather than just maintaining their income.} \]

Minniti and Nardone (2007) believed that, for women more than for men, the choice to start a business is often linked to necessity or to time and location flexibility (i.e. the type of independence that can accommodate family needs and child rearing). In addition, Minniti et al. (2005) believed that women who may be single parents or who come to entrepreneurship out of necessity may be starting with fewer resources than opportunity-driven women who may start with a different bundle of resources. As mentioned above, since women have fewer opportunities to become entrepreneurs, they may choose to start their own businesses for lack of any other alternatives, which leads to the following hypothesis:

\[ H5b: \text{Women in developing countries are more likely than men to be involved in entrepreneurship because they have no other option for work.} \]

### 2.6 Entrepreneurship and Financing

The more women perceive that they are not being equally valued as their male colleagues in terms of salary and advancement, they are more likely to feel frustrated and leave traditional wage work environments to start their own businesses (Hisrich & Brush, 1984). Another reason why there are fewer female entrepreneurs compared to male is due to lack of financing opportunities for women. Carter and Rosa's (1998) study of 600 UK firms demonstrated that female business owners use substantially less capital at start up compared to male business owners. As Estrin and Mickiewicz (2009) discussed, female entrepreneurs may face more difficulties than male entrepreneurs in their access to formal and informal financing. However, Gatewood, Brush, and Carter (2009) showed that women seeking venture capital (VC) have degrees, graduate degrees, and experience that should not prevent them from acquiring financing.

Verheul and Thurik (2001) indicated that women use less debt and have greater difficulty in accumulating the resources with which to start their own businesses. Similarly, Holmquist and Carter (2009) pointed out that access to equity capital showed a wide gap between the proportion of US equity investments that reach
women entrepreneurs (typically less than 5%) and women’s share of entrepreneurship (one-third of all enterprises). In addition, US research showed that female entrepreneurs received less than 6% of all equity investments over a 30-year period, which prevents many qualified female-owned firms from attaining sufficient funds to grow their venture (Greene et al., 2001).

Verheul and Thurik (2001) found that female entrepreneurs have a smaller amount of startup capital, but that they do not differ significantly with respect to the type of capital. On average, the proportion of equity and debt capital (bank loans) in the businesses of female entrepreneurs is the same as compared to males (Verheul & Thurik, 2001).

Women’s participation in the VC industry has not kept pace with industry growth, and women have exited the industry at a faster rate than men, which creates a significant barrier for women entrepreneurs since it is less likely that their networks will overlap with the financial supplier networks, despite the time they spend networking and seeking capital (Gatewood et al., 2009). Similarly, Marlow and Patton (2005) pointed out that the provision of informal venture capital tends to be dominated by men, which may lead to negative network effects placing women in disadvantages (Estrin & Mickiewicz, 2009).

Estrin and Mickiewicz (2009) believe that barriers in accessing bank finance can be viewed as discrimination with respect to women’s position on the labor market. As lower paid and discontinuous jobs are more likely for women, these women are not in a position to accumulate as much collateral as men, which affects the size and availability of bank loans. (Estrin & Mickiewicz, 2009). Similarly, Hisrich and Brush (1986) believed that female entrepreneurs’ relationships with bankers may suffer due to sexual stereotyping and discrimination. Coleman (2000) revealed that women-owned firms are less likely to use external financing as a source of capital. However, contrary to the views of Estrin and Mickiewicz (2009), it does not appear that lenders discriminate against women on the basis of gender in terms of access to capital (Coleman, 2000).

On the other hand, contrary to previous work that did not control for size and sector of firm, Orser, Riding, and Manley (2006) found that women business owners were just as likely as men to seek all types of external financing, except for external equity capital.

Holmquist and Carter (2009) pointed out that prior research, supported by national and international statistics, shows that women entrepreneurs tend to run smaller businesses than male entrepreneurs when measured by turnover and number of employees. In addition, the findings of Alsos, Isaksen, and Ljunggren (2006) indicated that the higher amount of financial capital that men acquire is a key reason why men-led businesses grow more than women-led businesses. As a result, these authors pointed out, there is a need for research on the relationship between national equality policies and achievements in the area of women’s entrepreneurship (Also et al., 2006).

Godwin, Stevens, and Brenner (2006) contended that, as a result of sex-based stereotypes, women entrepreneurs face unique obstacles in securing access to resources for their businesses, and went on to argue that one way for women entrepreneurs to overcome these obstacles is to partner with a man. Drawing upon institutional, resource-based, and network theories, Godwin et al. (2006) theorized on how partnering with a man may help provide female entrepreneurs in male-dominated situations with enhanced legitimacy, access to a larger number of
resources, and a stronger, more diverse social network. This access to resources and networking can help female entrepreneurs secure the financing needed to start their own businesses. As discussed above, women struggle to obtain financing to start their own businesses, so they most likely would not be able to provide funds to other entrepreneurs. However, since men are able to acquire funding for themselves or for others, this leads to the following hypothesis:

**H6:** Women in developing countries are less likely than men to provide funds for a new business, started by someone else, in the preceding three years.

**Research Methods**

**3.1 Research Data**

The main research question addressed in this paper is whether gender and perceptions thereof affect entrepreneurship. Specifically, this paper discusses how certain perceptions affect men and women's decisions to start their own businesses. Data was obtained from the Global Entrepreneurship Monitor (GEM), which is a not-for-profit academic research consortium whose goal is to make high quality information on global entrepreneurial activity readily available to as wide an audience as possible. GEM is the "largest single study of entrepreneurial activity in the world" (GEM website, 2011). I used data from the individual national team surveys, which are "harmonized into one master dataset that allows users to investigate entrepreneurial activity at various stages of the entrepreneurial process, as well as to study a variety of factors characterizing both entrepreneurs and their businesses in each participating nation and across countries" (GEM website, 2011). Reynolds, Bosma, Autio, Hunt, De Bono, and Servais (2005) pointed out that those who rely on the GEM data can have high confidence that it represents one way to develop a broad, valid, reliable data set on global entrepreneurship, and it is for this reason that I have chosen to use the GEM data. This research focuses on entrepreneurship data from the following developing countries for the years 2001 to 2007:

- Argentina
- Brazil
- Chile
- China
- Colombia
- India
- Peru
- Russia
- Turkey
- United Arab Emirates (UAE)
- South Africa

**3.2 Summary of Measures**

**3.2.1 Dependent Variables**

The following are the dependent variables (i.e. outcome variable) in this research:
• Entrepreneurial Activity: starting one’s own business, i.e. Total Early-Stage Entrepreneurial Activity (TEA), includes individuals in the process of starting a business and those running new businesses less than three-and-a-half years old
• Improvement-Driven Opportunity Entrepreneurial Activity: Relative Prevalence (Teayyido) - percentage of those involved in TEA who (i) claim to be driven by opportunity as opposed to finding no other option for work; and (ii) who indicate the main driver for being involved in this opportunity is being independent or increasing their income, rather than just maintaining their income
• Necessity-Driven Entrepreneurial Activity: Relative Prevalence (Teanec_p) - percentage of those involved in TEA who are involved in entrepreneurship because they have no other option for work

3.2.2 Independent Variables

The following are the independent variables in this research:

• Fear of Failure Rate (Frfailop): percentage of those within the 18-64 years of age population with positive perceived opportunities who indicate that fear of failure would prevent them from setting up a business
• Entrepreneurship as Desirable Career Choice (Nbgoodyy): percentage of those within the age18-64 population who agree with the statement that, in his or her respective country, most people consider starting a business a desirable career choice
• High Status Successful Entrepreneurship (Nbstatyy): percentage of those within the age18-64 population who agree with the statement that, in his or her respective country, successful entrepreneurs receive high status
• Media Attention for Entrepreneurship (Nbmediyy): percentage of those within the age 18-64 population who agree with the statement that, in his or her respective country, one will often see stories in the public media about successful new businesses
• GEM harmonized work status (Gemwork): employment status
• Informal Investors Rate (Busangyy): percentage of those within the age 18-64 population who have personally provided funds for a new business, started by someone else, in the past three years.

3.2.3 Control Variables

The following are the control variables in this research:

• Country of Origin (Country): 0/1 for each country to account for country specific factors
• Year survey was administered (Yrsurv); 0/1 for each year to account year to year differences
• Age group (Age9c); to account for varying entrepreneurial rates during various ages
• Education (Gemeduc); to account for different entrepreneurial rates based on education
• Gender (gender); to account for varying entrepreneurial rates based on gender
• Income (Gemhhinc): to account for varying entrepreneurial rates based on income
3.3 Methodology

Univariate analysis will be done for variables relating to the hypotheses, and t-test will be used. The means of variables for those who started businesses and those who did not will be calculated and statistical significance will be tested using t-test. Then, multivariate tests will be done using the Logistic Regression Analysis. Since the dependent measures are dichotomous, chi-square is a more appropriate choice.

Results

Descriptive Statistics: Control Variables

Initially, a series of descriptive statistics was conducted on the variables included in the bivariate and multivariate statistical analyses. As all of these measures are categorical, a series of frequency tables was constructed describing responses to each of these measures. The calculated measures consist of the frequencies and percentages of respondents associated with each category of response, along with measures of valid percent (excluding missing data) and cumulative percent. All descriptive statistics, as well as all statistical tests, were conducted utilizing weighting, which produces the larger sample sizes included in the following tables.

Table 24: Comparison of Chi-square analysis vs Logistic regression analysis

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Chi-square analysis</th>
<th>Logistic regression analysis</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1: Women in developing countries are less likely than men in developing countries to undertake entrepreneurial activity when fear of failure would prevent them from setting up a business.</td>
<td>$\chi^2 (1) = 1107827.390, p &lt; .001; \phi = .124, p &lt; .001$ significant association exists between gender and the likelihood of undertaking entrepreneurial activity when fear of failure would prevent an individual from setting up a business. The cross tabulation of these two variables, indicates that females in developing countries are more likely than men to undertake entrepreneurial activity in these cases, as opposed to less likely, as predicted.</td>
<td>Gender was found to be a significant predictor in this analysis, while the positive regression coefficient indicated that females were, in fact, more likely than men to undertake entrepreneurial activity when fear failure would prevent them from setting up a business. Supported</td>
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<td>H2a: Women in developing countries are more likely to undertake entrepreneurial activities when, in their respective countries, most people consider starting a business a desirable career choice, as compared to when most people in their respective countries do not consider starting a business a desirable career choice.</td>
<td>$\chi^2 (1) = 71006.428$, $p &lt; .001$; phi = -.020, $p &lt; .001$</td>
<td>Positive regression coefficient relating to the desirable career measure indicates that considering starting a business as a desirable career was associated with the likelihood of undertaking entrepreneurial activity in their country. The addition of a series of control measures served to explain the discrepancy between the results of the initial bivariate analysis and the results presented in the current analysis, while a number of the control measures were also found to achieve statistical significance in this analysis. Supported</td>
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<td><strong>H2b:</strong> Women in developing countries are less likely than men to undertake entrepreneurial activities when, in their respective countries, most people do not consider starting a business a desirable career choice.</td>
<td>$\chi^2 (1) = 371578.215$, $p &lt; .001$; phi = .065, $p &lt; .001$</td>
<td>The negative regression coefficient associated with the female dummy variable indicates that females are less likely than men to undertake entrepreneurial activity in their respective countries when most people do not consider starting a business a desirable career choice in their respective countries. As before, the addition of a series of control measures would serve to explain the discrepancy between the results obtained in this analysis and those obtained in the earlier chi-square analyses. Supported</td>
</tr>
<tr>
<td>Hypothesis</td>
<td>Statistical Significance</td>
<td>Results</td>
</tr>
<tr>
<td>------------</td>
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<tr>
<td>H3: Women in developing countries are more likely to undertake entrepreneurial activity when successful entrepreneurs in their respective countries receive high status than when successful entrepreneurs in their respective countries do not receive high status.</td>
<td>Statistical significance, $\chi^2 (1) = 1471981.717$, $p &lt; .001$; phi = .088, $p &lt; .001$. Women in developing countries are, in fact, more likely to undertake entrepreneurial activity when successful entrepreneurs in their respective countries receive high status, supporting this third hypothesis.</td>
<td>A positive regression coefficient associated with receiving high status indicates that women in developing countries are more likely to undertake entrepreneurial activity when successful entrepreneurs in their respective countries receive high status. Additionally, a number of the control variables were found to achieve statistical significance in this regression model.</td>
</tr>
<tr>
<td>H4: Women in developing countries are more likely to undertake entrepreneurial activities when they often see stories in the public media about successful new businesses compared to not seeing stories in the public media about successful new businesses.</td>
<td>Statistical significance, $\chi^2 (1) = 14737.032$, $p &lt; .001$; phi = .009, $p &lt; .001$. Women in developing countries are more likely to undertake new activity when they are more likely to see stories in the public media about successful businesses. Supported</td>
<td>The positive regression coefficient associated with the predictor of media coverage indicates that women in developing countries are, in fact, more likely to undertake an activity when they often see stories in the media about successful businesses.</td>
</tr>
<tr>
<td>H5: Women in developing countries are more likely than men to be involved in entrepreneurship because they have no other option for work.</td>
<td>Statistical significance, $\chi^2 (1) = 8803135.823$, $p &lt; .001$; phi = .241, $p &lt; .001$. Women in developing countries were more likely than men to be involved in entrepreneurship because they had no other option for work Supported.</td>
<td>The positive regression coefficient associated with the female dummy measure indicates that women in developing countries, in fact, are more likely than men to be involved in entrepreneurship because they had no other option for work.</td>
</tr>
<tr>
<td>H6: Women in developing countries are less likely than men to provide funds for a new business, started by someone else, in the preceding three years.</td>
<td>Statistical significance, $\chi^2 (1) = 1173047.374$, $p &lt; .001$; phi = - .030, $p &lt; .001$. Women in developing countries are less likely than men to provide funds for new businesses Supported</td>
<td>The negative coefficient associated with the female dummy variable indicates that women in developing countries are, in fact, less likely than men to provide funds for a new business.</td>
</tr>
</tbody>
</table>
Conclusion, Limitations, Future Research

5.1 Conclusion

As Kelley et al. (2011) pointed out, where incentives for being an employee substantially exceed those associated with becoming an entrepreneur; policymakers might consider either reducing the advantages employees receive relative to entrepreneurs or providing greater benefits for entrepreneurs, depending on the specific circumstances in their respective economies.

Gender was found to be a significant predictor in this analysis, while the positive regression coefficient indicated that females were, in fact, more likely than men to undertake entrepreneurial activity when fear of failure would prevent them from setting up a business, a finding which does not support Hypothesis 1.

The positive regression coefficient relating to the desirable career measure indicates that considering starting a business as a desirable career was associated with the likelihood of undertaking entrepreneurial activity in their country. Females are less likely than men to undertake entrepreneurial activity in their respective countries when most people do not consider starting business a desirable career choice, which supports Hypothesis 2.

A positive regression coefficient associated with receiving high status indicates that women in developing countries are more likely to undertake entrepreneurial activities when successful entrepreneurs in their respective countries receive high status, which supports Hypothesis 3.

The positive regression coefficient associated with the predictor of media coverage indicates that women in developing countries are, in fact, more likely to undertake an activity when they often see stories in the media about successful businesses, which supports Hypothesis 4.

The positive regression coefficient associated with the female dummy measure indicates that women in developing countries are, in fact, more likely than men to be involved in entrepreneurship because they have no other option for work, which supports Hypothesis 5.

Women in developing countries are, in fact, less likely than men to provide funds for a new business, which supports Hypothesis 6.

5.2 Limitations

Since the GEM data is only available to the public three years after the end of an annual data collection cycle, the most recent data is this study is from 2007. More recent data might result in different analysis and conclusions. There are also limitations related to the characteristics of the GEM database. More specifically, the number of items related to entrepreneurial intentions and entrepreneurial perceptions is small in the GEM database. In addition, the type of items included in the survey prevents the use of more accurate statistical techniques, such as structural equation models, that may show the different relationships between perceptions and intentions.
5.3 Future Research

Since there are very few studies that used trans-national general-population data from the GEM survey to explain entrepreneurial intentions, more research is needed to confirm or reject these results. This research solely focused on developing countries, since most other studies have solely focused on developed countries. Future research could compare developed vs. developing countries and include more recent data.
### 5.4 Research Model

- **Fear of Failure**
  - \( H_1(-) \)

- **Starting a business considered a desirable career**
  - \( H_2a(+) \)

- **Starting a business not considered a desirable career**
  - \( H_2b(-) \)

- **Successful entrepreneurs in their countries receive high status**
  - \( H_3(+) \)

- **Stories in Media about successful new businesses**
  - \( H_4(+) \)

- **Unemployment Status**
  - \( H_5(+) \)

- **Provided funds for a new business, started by someone else**
  - \( H_6(-) \)

- **Start own business**

- **Start own business — improvement driven**

- **Start own business — necessity driven**
References


Moules, J. 2006, Jan 18. How start-ups are helping countries to catch up ANALYSIS: Entrepreneurs are helping to close the income gap between middle- and high-income countries, says a global survey. Financial Times, 11-11.


