State of the Art Review

How Does Gender Shape Entrepreneurial Resources and Practice?

A Review of Evidence

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Women are much less likely to found businesses than men and even less likely to lead growth businesses (ONS, 2019; Rose Review, 2018). Given that the educational attainment of girls surpasses that of boys and women's economic activity is approaching that of men's, the scale of this gender gap is startling. As entrepreneurship relies on combining resources to create goods and services for profitable trade (Kitching and Rouse, 2016), this review explores gendered differences in the ownership and command of resources. It focuses on the entrepreneur resources mostly commonly researched: human capital ('know how' emergent from education and experience), financial capital (money) and social capital (relationships through which new resources are acquired). It also points to a gap in research concerning how gender shapes 'labour capital' (an entrepreneurs' ability to apply their own or other's labour to business creation and ownership). Women's unequal access to resources and the constraints this places on their entrepreneurial activity suggests there is a significant failure in enterprise policies.

Background

Human Capital

Human capital is defined as the 'know-how' needed to run a particular business. A basic education seems to enable entrepreneurial capability but higher levels of education have a more complex effect. The more specialist learning typical of higher education may not always support the diverse skills needed to be entrepreneurial and manage a business, and the better educated also have competing employment possibilities that create opportunity costs to start-up (see Dilli and Westerhuis, 2018 for a wider discussion). It is unsurprising, then, that women's advances in education have not translated directly into venture creation and growth.

Entrepreneurial and management skills may accumulate through specialist education or experience. Entrepreneurship education aims to nurture entrepreneurial skills, but some evidence shows it is tainted for women when it is founded on hyper-masculine entrepreneurial norms (Jones, 2014). General entrepreneurial skills may be developed in family businesses, but research has shown that there is a bias towards male succession (Al Dajani *et al*., 2014), so daughters are not usually socialised into business leadership. More generally, gendered cultures still attribute nurturing and modest behaviours with femininity. Women drawing on traditionally masculine forms of human capital to demonstrate confident leadership, assertion and competitiveness may be judged as ‘unlikeable’ (Mendoza and Di Maria, 2018). Gendered cultures curtail some women from commanding this form of resource due to fear of criticism or backlash.

Another crucial form of ‘know-how’ is technical knowledge relating to high potential business sectors (e.g. STEM – science, technology, engineering and maths) and innovation (e.g. digital). Countries with greater gender equality in science education have more entrepreneurship in knowledge-intensive industries and more businesses with high growth aspirations (Dilli & Westerhuis, 2018). However, it has been argued that the powerful forces of occupational segregation that channel girls away from an interest in technical subjects characterised as masculine, and exclude women from careers or incubation processes (Marlow and McAdam, 2015), cause structural disadvantage in knowledge acquisition and mobilisation (Dilli & Westerhuis, 2018). It is not sufficient to encourage women into STEM, as though the problem lies with flawed career choices. A more realistic approach would be to conceptualise the gender relations that exclude women from STEM as key targets for change in enterprise ecosystems - i.e. the interdependent institutions that enable (or constrain) entrepreneurial processes (McAdam *et al*., 2019).

In the UK, gender equalities are startling in vocational education (Davies, 20018): men are most likely to be self-employed in the construction, transportation and farming sectors while women most commonly trade in cleaning, education, health care and social work (ONS, 2019). While not all masculine trades are in high potential sectors, tradesmen *do* typically earn more than tradeswomen. The solution is both to encourage women to compete in better-paying trades and to question why feminised labour is so under-valued. This latter issue is particularly pertinent when women trade in public sector supply chains, such as social care. We also need to ask why men often lead in feminised sectors. A promising approach is to support women training in traditionally female-dominated sectors to develop diverse industry experience and technical knowledge, including digital skills, so they can develop innovating businesses (Tegtmeier *et al*., 2016).

Financial Capital

There is broad evidence that women-led businesses rely more on informal funding (personal or family wealth or personal credit), use lower amounts of start-up capital, face higher liquidity constraints (see Cowling *et al*., 2019 for a recent summary) and struggle for second or later stage funding (Guzman and Kacperczyk, 2019).

Women are less likely to apply for bank loans and this has traditionally been conceptualised as arising from a feminised risk aversion. However, women’s behaviour may be entirely rational: avoiding investment in the low potential sectors where their businesses cluster or in ventures founded as a temporary solution to a lack of flexible employment (Jayawarna *et al.*, 2014). Cowling *et al*. (2019) show that, under recessionary conditions, lenders seem to have re-valued women’s caution so that women are now more likely than men to have a loan approved. Moreover, these researchers predict a positive cycle, where women making cautious investments meet their repayments and become eligible for further investment. Fairer bank lending decisions may also arise from the automation of loan decision making. Algorhythms are human-made and vulnerable to stereotype bias but this early evidence suggests they are removing some of the discrimination that previously beset women, even when running businesses similar to men (Poczter and Shapsis, 2018).

Investment made by individual or more autonomous investors – such as angel financers or venture capitalists – are still subject to high degrees of straight forward gender discrimination (Guzman and Kacperczyk, 2019; Aloña and Hart, 2019). Biases in networks mean investors are more familiar with male entrepreneurs. Yet, having a close relationship to an investor helps women secure finance (Tinkler *et al*., 2015), probably because investors require intensive conflicting information to overcome the 'unconscious' gender bias that presumes women have lower commitment or capability. This scenario places many women in a double bind: gaining access to finance requires exceptional network access, but being a woman constrains network positioning. Other clear displays of legitimacy, such as being at the top of value chains or technically proficient, sometimes also mediate automated gender bias (Guzman and Kacperczyk, 2019). In short, then, women must display a higher level of competence to acquire angel or venture capital investment.

Overall, evidence suggests that many women-led businesses are less likely to seek or receive investment because they are very small or founded in the foundational economy, where profitability and markets are constrained. Making them better targets for investment means addressing the wide range of resource constraints that cause this bias in venture creation (Cowling *et al*., 2019).

Social Capital

Social capital can be defined as a person's ability to extract resources, including human and financial capital, from the network of people they know, or are able to get to know (Lee *et al*., 2019). Research indicates that women typically have different kinds of networks to men, relying more on the close existing relationships that are crucial to day-to-day maintenance of life but that offer few of the novel resources that emerge from entering into new and more specialist relationships. Differences in network structures creates barriers to the process of accruing and combining resources to develop goods and sales for which there is a profitable market (i.e. for the entrepreneurial process). Evidence that women's networks are particularly curtailed in high-growth networks is particularly concerning as this will generate barriers to learning, financing and legitimacy building. Another key concern is that minoritized ethnic women face particularly strong barriers to developing broad and rich networks (Neumeyer *et al*., 2019). Women's familial and community connections should be valued, and not overlooked (Addo, 2017), but policy action is also needed to make resource rich networks more inclusive and to sponsor minoritized women, in particular, to achieve better network positions.

Research has shown that sex differences in network structures emerge through: men's behaviour – in particular, valuing women less as legitimate network partners and failing to sponsor women in networks; masculine network structures (e.g. business networks focused on sport, drinking or that tolerate misogynistic attitudes), and: feminine norms and roles (e.g. norms that make promoting oneself or expressing assertive negotiation as 'unlikeable' for a woman and domestic roles that curtail the time and travel away from home that mothers, in particular, can undertake) (see McAdam *et al*., 2019 for a recent review).

A common response to structural imbalance is to promote women-only business networks. At first glance, these well-intentioned initiatives protect women from spaces that would subject them to masculine domination, celebrate feminine ways of interacting and enable resource exchange between women. However, recent research has shown that they provide only limited value, beyond moral support, because they provide limited access to wider markets and knowledge (McAdam *et al*., 2019). They also create few collective challenges to masculine behaviour in network structures. While employment settings are highly regulated and increasingly monitored by cultures that (imperfectly) monitor discriminatory behaviour, business networks are largely unmanaged and facilitators such as business membership organisation do not have the power or regulatory responsibilities of employers. This makes it very risky for individual women to challenge misogynistic or gendered behaviours and structures. A minority of women can fit in through hyper-feminised or masculine behaviours that do not strongly question the status quo. However, these exceptions do not fundamentally transform the culture and practices of business networks.

A recent study (Lim and Suh, 20190 showed that women are more likely than men to form solo enterprises or to partner with family members who share the same pool of resources. The search for a cofounder is restricted by pre-existing social capital. Yet, team-based ventures thrive if they have complimentary resources that compensate for resource gaps and foster creativity. Therefore, support is required to raise awareness of team-based founding as a strategic option and to sponsor (minoritized) women in networks so they can find partners. Indeed, a key criteria for a healthy enterprise ecosystem is its power to enable the formation of connections between stakeholders (Neumeyer *et al*., 2019). Serious innovation is required to form fully diverse enterprise ecosystems, particularly with regard to business founding in more profitable or innovative sectors.

Summary and evidence gaps

This review focuses on women but also draws on research that shows how men's access to resource are not a 'norm' that women fall short of, but a socially-created privilege. This raises an important question: how can enterprise ecosystems create more fair resource enhancement pathways for women? Tackling occupational segregation in childhood socialisation, education, work and incubation is pivotal, as is promoting a more balanced education for women working in feminised sectors so they can develop innovative businesses and lead in their fields. Equally, society will always need feminised work like cleaning, social care and childcare. Wider social change is necessary to properly value entrepreneurship serving the foundational economy.

There are some promising signs that discrimination in bank lending may be declining (Cowling *et al*., 2019) but this sits beside ongoing discrimination in angel and venture capital financing. We need action research to explore how to change this inequality. The power of innovative funding sources, such as crowdfunding, also warrant further research. As women are heavily dependent on personal finance, we need to know more about how investment in business relates to household economies and the highly gendered institution of the family. As women are more reliant on welfare than men, we need to expand our understanding of the enterprise ecosystem to include welfare institutions.

The size and sector of many women's businesses still means they are poor investment targets and that many women are discouraged from investing. Broader shifts are necessary to change this dynamic. Developing team-based ventures, and sponsoring women to find partners with complimentary resources, may be an important direction.

In part, this means revealing and enhancing women's role in many male-led businesses, family businesses and 'co-preneurships' (Marlow and Martinez, 2018).

We know that care and domestic work limits when, where and for how long women can work to apply their resources in businesses and draw new resources out of networks. This is particularly so at life course phases where households have high demand for domestic labour and women are saturated with the norm of mother as lead domestic agent (Jayawarna *et al*., 2014; Ekinsmyth, 2013; Jayawarna *et al*., 2013). Women may trade to escape male dependence but, by often being in home-based businesses, they struggle to escape social expectations that they prioritise domestic work (Addo, 2017). This means that women's entrepreneurial labour is constantly up for negotiation. Women invest significant labour in supporting spousal firms, even when in full-time employment (Hamilton, 2006) but men are less likely to reciprocate for women (Yang and Aldrich, 2014). Public childcare and social care are important elements of entrepreneur ecosystems because they can support women to invest labour in businesses. However, labour resource is not well conceptualised in our resource-based view of entrepreneurship, suggesting important research directions.

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Other SOTA Reviews are available on the Enterprise Research Centre web site www.enterpriseresearch.ac.uk. This SOTA Review is one of five published in March 2020 in partnership with the Institute of Small Business and Entrepreneurship's Gender and Enterprise Network. This set reviews the state of knowledge on women's entrepreneurship. The views expressed in this review represent those of the authors and are not necessarily those of the ERC or its funders.