

Kauffman Compilation: Research on Gender and Entrepreneurship

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Ewing Marion
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Foundation

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INTRODUCTION

For entrepreneurs, experience matters. Formal education, previous work experience, and past failures are all factors that help shape entrepreneurs. Despite formative experiences, for many entrepreneurs, barriers remain.

The Kauffman Foundation works to help entrepreneurship thrive by identifying these barriers and exploring both programmatic and policy solutions to address them. One set of barriers to increased entrepreneurship is the underrepresentation of women entrepreneurs

With American women half as likely to become entrepreneurs compared to their male counterparts, the U.S. economy is missing out on potential innovation and economic growth. What can be done to help decrease the obstacles facing women entrepreneurs?

In this volume, we have assembled an assortment of Kauffman's work on addressing the entrepreneurial gender gap. The compilation that follows highlights a range of Kauffman resources that incorporate gender research.

For additional information on gender-related research beyond this compilation:

- Find more Kauffman research work related to Women in Entrepreneurship
- Learn about how crowdfunding assists women entrepreneurs
- Read about what helps women become successful entrepreneurs
- Find out what Kauffman is funding for further women entrepreneurship research

THE STATE OF GENDER AND ENTREPRENEURSHIP RESEARCH

A summary of gender research from State of the Field, which presents the latest research on a range of entrepreneurship topics, including gender, edited by leaders in the field.

Contributors: Sarah Thébaud and Patricia Greene

Women are about half as likely as their male counterparts to start a new business. For women who do start businesses, when comparing men and women entrepreneurs, women's businesses tend to be:

- Smaller on average
- Financed at a lower rate
- Less profitable
- Slower to grow
- Home-based
- In female-typed industries, such as retail and interpersonal care

There are several reasons for gender inequality in business rates, which include:

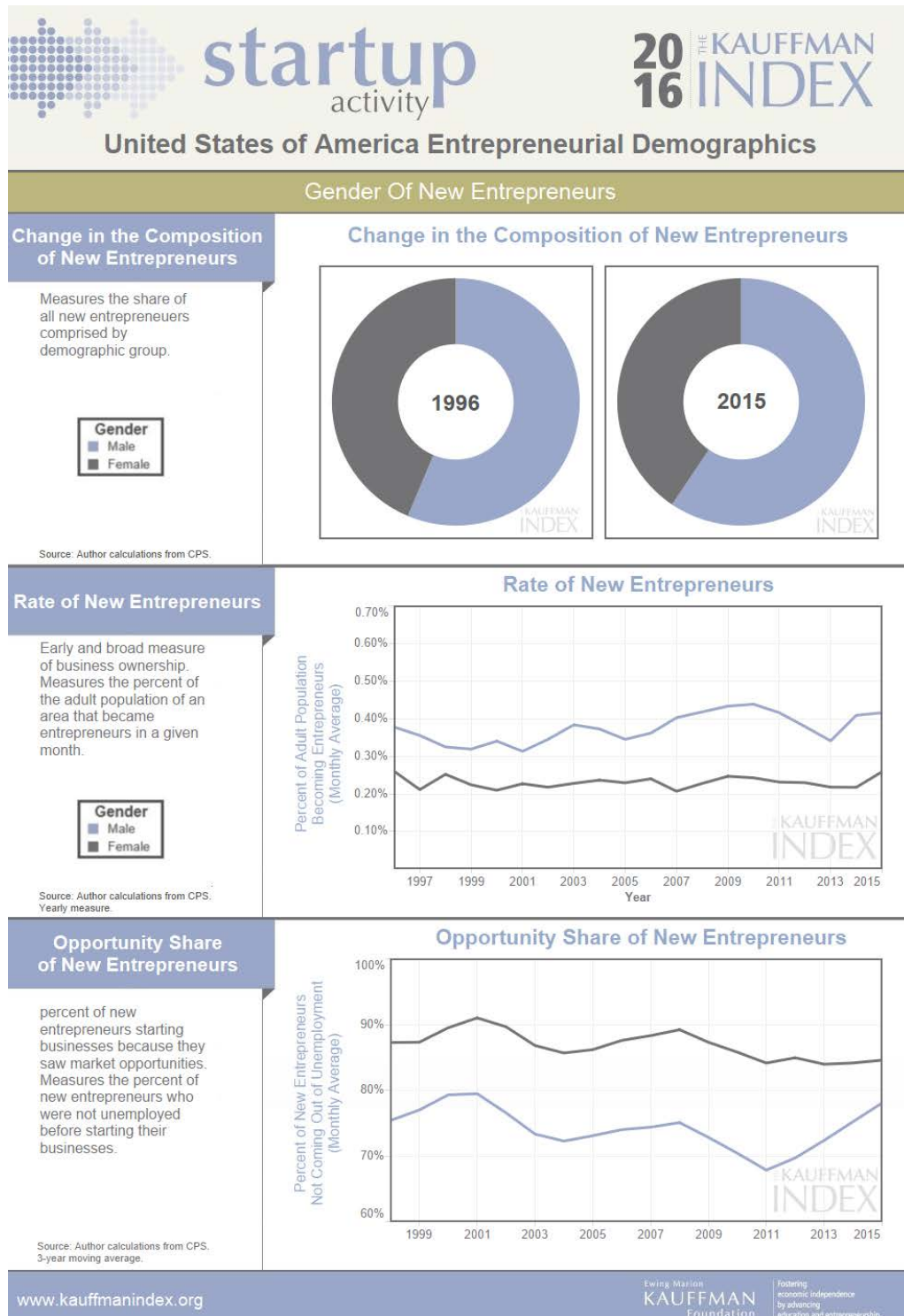
- Gender differences in key forms of human, social and financial capital
- Differences in men's and women's culturally constructed perceptions about the abilities and risks associated with entrepreneurship
- The widely held stereotype of entrepreneurship as associated largely within technology-based industries and as a male-typed or masculine activity, and the power of this stereotype to discourage women from pursuing entrepreneurship and/or detract from their ability to garner support for a new venture
- Differences in the opportunities and incentives that men and women experience in workplaces and in families to become entrepreneurs

There is a lot we still don't know. For instance:

- How do institutional arrangements, such as government policies and workplace practices, affect men's and women's motivations to become entrepreneurs?
- If the activity of entrepreneurship were explicitly disassociated from gender, would more young women decide to pursue it? If they did, how might this change the contours of the modern economy?
- Is entrepreneurship always a "good" thing for men, women and the economy, and if not, then when and why is it not?
- When and how do gendered patterns of entrepreneurship and innovation emerge within the confines of established organizations?

THE NARROWING STARTUP GENDER GAP

According to the 2016 Kauffman Index of Startup Activity, the startup gender gap is still large, although it decreased last year. The rate of women entrepreneurs saw its second biggest increase in almost 20 years.



WOMEN ENTREPRENEURS ARE KEY TO ACCELERATING GROWTH

Policy recommendations related to women entrepreneurship from a Kauffman Entrepreneurship Policy Digest

By Emily Fetsch, Chris Jackson and Jason Wiens

Develop and Report Metrics for Entrepreneurship Programs and Initiatives

- To understand how entrepreneurship programming serves women, attendance, participation, drop off rates, and entrepreneurial outcomes should be **collected and reported by gender**. Armed with this information, program coordinators and funders can make adjustments to better assist women entrepreneurs.

Increase the Number of Women Represented in Entrepreneurship Programs

- When **women are leaders at organizations that support entrepreneurs**, they can help develop gender inclusive events that attract women entrepreneurs, as well as use their networks to help women entrepreneurs access mentors and financial capital.

Increase Small Business Innovation Research (SBIR) Funding to Women-owned Businesses

- In 2012, **only 15 percent** of SBIR awards went to women-owned businesses. Federal agencies should continue to **increase awareness of the availability of these awards** by partnering with women's professional organizations and unifying outreach efforts to women entrepreneurs.

Celebrate Successful Women Entrepreneurs

- Stories of entrepreneurial success **tend to be male-dominated**. Government leaders can help deconstruct the false narrative that only men are successful entrepreneurs by lifting up stories of successful women entrepreneurs.

Decrease the Risk of Becoming an Entrepreneur

- Explore how various policies can help alleviate **pressures and risks** facing women, particularly those with young families, which can deter them from entrepreneurial ventures. For example, policymakers should **examine** whether subsidized child care or preschool, or other related policies, could create a stronger environment for entrepreneurship.

AN UPHILL CLIMB: STATE OF THE FIELD EXAMINES WOMEN IN ENTREPRENEURSHIP

A Growthology blog post

By Emily Fetsch

Women's entrepreneurship is a topic that has been focused on Growthology, as well as at the Kauffman Foundation more broadly. Women are significantly underrepresented in entrepreneurship. Despite their strong representation in the labor market and their increasing graduation rates in higher education, women remain half as likely as men to become an entrepreneur.

A recent article by The New York Times highlights the case of Nathalie Miller and the particular challenges women face as entrepreneurs. Ms. Miller is an aspiring entrepreneur who left her job at another startup to pursue the dream of launching her own. She created Doxa, a website she hoped would help women navigate corporate America and make more informed employment decisions. Yet, she, like many women before her, struggled to claw through the familiar barriers women face as entrepreneurs.

All entrepreneurs and their companies face an uphill battle to succeed. But for women, this hill is steeper. Women are consistently unable to secure funding at the same rates as men. Women must also satisfy inconsistent and amorphous standards of behavior that investors and others demand, as well as balance motherhood, family life and the health of their business in ways men are not asked to do. Understanding these unique challenges and potential ways to combat them is the focus of Kauffman's State of the Field's topic on gender.

Ms. Miller was aware of the challenges facing women, both in the startup and corporate world. This was part of her motivation to create Doxa in the first place. However, as she struggled to find investors, be considered equal compared to male-owned startups, and balance a pregnancy, she found the hurdles too high to clear.

Financing

After talking to more than 40 investors and working 70-hour weeks, Ms. Miller was unable to secure the funding she needed. Coupled with the departure of her software engineer partner, she decided to put her startup business on hold.

The article points out ways that securing capital can prove more difficult for women entrepreneurs. First, venture capitalists are "more likely to be white and male than tech company employees are" and tend to "accept pitches only from entrepreneurs who come through an introduction," which can exacerbate the lack of diversity. Second, the article also cites a study that found that:

"Investors prefer pitches by men, particularly attractive men, to those by women, even when the content of the pitch is the same. In addition to studying the results of three entrepreneurial pitch competitions, the researchers conducted two experiments in which a representative sample of working adults heard identical pitches in male and female voices. Sixty-eight percent of people preferred to finance the company when it was pitched by a male voice, while 32 percent chose the female."

State of the Field research shows that women access capital at lower rates than men, although this has improved in recent years. A [2014 study](#) found that “between 2011-2013 more than 15 percent of the companies receiving venture capital investment had a woman on the executive team.” State of the Field research also shows that women are less likely to participate in businesses that require outside capital investment.

Double Standards

When Ms. Miller went to her first meeting with a mentor to coach her through securing investment, she was in “jeans and a sleeveless shirt.” This was the culture and uniform of the startup where she previously worked. Her mentor immediately stressed that “the standard is different for women.” If she wanted to be taken seriously, she needed to dress more professionally, not like Mark Zuckerberg.

Women entrepreneurs face the challenge of cultural stereotypes, outlined in research featured on State of the Field, where entrepreneurship is “linked to personality traits stereotypically associated with men and masculinity.” Investors, and the public in general, often assume that successful entrepreneurs are men.

In some ways, this dress code hypocrisy highlights these stereotypes, where women need to dress more professionally for their startup ventures to be taken seriously as investment opportunities for venture capitalists.

Motherhood

When working to secure funding for her startup, Ms. Miller tried to put off telling investors she was pregnant, only doing so after they agreed to a second meeting with her. She tried to sell her pregnancy by assuring investors that she would take little time off and that her husband would be the primary caregiver. However, after the birth of her baby, Ms. Miller better understood the workload parenting demanded. Ms. Miller said “she had an entirely new perspective on how undervalued caregivers are, and how people judge women for taking time off work for their families.” Her “transition from start-up founder to employee and mother had given her a new perspective on success in Silicon Valley and, more broadly, on what her generation wanted from work, something she wanted to address in her new job.”

State of the Field highlights research that echoes Ms. Miller’s challenge of securing a work-life balance. For women entrepreneurs, there is a “common assumption that women will [continue to] carry greater responsibility for caregiving, regardless of their employment status.” Women are more likely than men to be motivated by the flexibility and adaptability that entrepreneurship can provide to families, but “these gendered dynamics within families have also been shown to influence who takes the lead in an entrepreneurial team.”

LABOR AFTER LABOR: WHY BARRIERS FOR WORKING MOTHERS ARE BARRIERS FOR THE ECONOMY

The executive summary from a paper that examines how policymakers, employers and entrepreneurship support organizations can drive the changes needed for mothers to succeed in entrepreneurship.

By Alex Krause and Emily Fetsch

Mothers often face many challenges in the traditional workplace, including lack of family-friendly policy, pay inequity and working the “second shift” of household duties. Entrepreneurship is viewed as an attractive option for mothers, as it is perceived to provide greater flexibility to achieve a work-life balance. However, many additional challenges exist for mother entrepreneurs, including increased work-family conflict, cognitive biases and lack of mentorship and social capital. We explore mother entrepreneurship within the context of four trends, including:

1. The overall labor force participation and demographic trends, such as the presence of women in the workforce, increasing education levels and delayed marriage and childbearing;
2. The changing nature of work, which summarizes a shift from traditional employment;
3. The impact of millennials entering the workforce and their priority on work-life balance; and
4. The implications of cognitive biases for mother entrepreneurs, as entrepreneurship is viewed as a masculine, competitive occupation.

The changing nature of work, with a shift away from traditional employment, is beginning to challenge common thinking around what work looks like and the best mechanism for providing workers’ benefits and insurance. Finding policy solutions to support the changing nature of work are not unlike the challenges faced by mother entrepreneurs. Creating policies that go beyond the traditional workforce and into the modern era of work is better for the overall economy.

Policy solutions, outlined in the paper, offer suggestions for policymakers, researchers, entrepreneurship support organizations and society as a whole.

- Public policy solutions should include rethinking parental leave policies, egalitarian parenting responsibilities and work expectations.
- Increasing research is needed on the changing nature of work and its implications.
- Entrepreneurship support organizations can provide family-friendly spaces, create mentoring programs for mother entrepreneurs and offer counseling services.
- Finally, to improve the perception of entrepreneurship as accessible to mothers, stories of entrepreneurs who have been successful in both business and family life should be promoted.

Our society needs to adapt to retain its competitive edge. Policies have not evolved to support women, in particular mothers, to reflect their growing contribution to the workforce. Women are essential to the nation’s economic growth through their contributions as employees, entrepreneurs and parents.

SOURCES OF ECONOMIC HOPE: WOMEN'S ENTREPRENEURSHIP

Below are recommendations presented in a paper on the findings of a survey of women founding CEOs, presidents, chief technology officers and leading technologists of tech startups examining the low representation of women at such companies. Responses were compared to the sample of high-tech firms tracked in the Kauffman Firm Survey (KFS), a longitudinal survey of firms that began operations in 2004.

By Alicia Robb and Dane Stangler

The overall thrust of the survey findings presented here and their comparison with prior research, especially analysis of high-tech firms in the Kauffman Firm Survey sample, is that female and male entrepreneurs have a lot in common. They would seem to start their companies for similar reasons, cite similar self-perceived reasons for success and face similar challenges. Out of this similarity, three differences do stand out.

First, the women technology entrepreneurs surveyed here don't appear to have had inspiring role models as their principal motivation. Second, women entrepreneurs in general appear to respond differently than men do to failure, and cite lessons learned from failure as a big reason for success. Finally, there is a financing gap when it comes to high-tech and high-potential women entrepreneurs. That financing gap turns into a growth gap in terms of company outcomes. Findings ways to fill that financing gap, then, could have huge payoff in job creation and innovation.

What, if anything, can government and other organizations do to capitalize on the growth opportunity that exists with women entrepreneurs?

First, building the financial capabilities of women and ensuring access to bank financing and equity financing by venture capitalists and angel investors is paramount to having more high-growth entrepreneurship by women. Second, encouraging greater participation by women on the financing and investing side also might be an avenue worth pursuing. Prior research documents the low level of representation of women as investors in angel investing and venture capital funds. A growing number of angel groups, such as Golden Seeds, Astia Angels and the Pipeline Fellowship, are preparing women to become investors in this space. More is needed to overcome the gender imbalance on the funding side.

Other steps also can be taken to support high-growth women's entrepreneurship in ways that will allow us to tap this greatly underutilized resource. This issue needs to be addressed on multiple fronts: 1) by offering more opportunities in industry that will give women the experience needed to pursue entrepreneurship, 2) by providing more opportunities to learn about starting and growing businesses, and 3) through exposure to successful female entrepreneurs who can share stories and insights from their successes (and challenges). Family-friendly policies that allow women the flexibility to work outside of their homes and schedule activities around family commitments might also encourage women to tackle higher-growth opportunities.

A recent paper from the Office of Advocacy at the Small Business Administration (SBA), found that different university programs, even those within the same field, can provide different types of exposure among men and women to entrepreneurial opportunity. In fields such as mechanical engineering, where women represent a small share of graduate students, male and female students still have different experiences when it comes to their faculty advisors, interaction with private industry and entrepreneurship. Given how important prior exposure

(whether in industry or in entrepreneurship) was for survey respondents here, finding a way to address the differential structure of these programs could put more women onto the high-growth entrepreneurial pathway.

Encouraging and facilitating team startups (men, women and mixed) is another avenue to pursue, given that our findings highlight the importance of team ownership in securing financial capital, particularly during the critical early years of the firm. There are an increasing number of organizations and events such as Startup Weekend Women's Edition, Startup Grind, Founder Fridays and Co-Founder speed dating that serve as encouraging examples of ways to meet this need.

Programs that specifically target women-owned, high-growth-potential firms also have shown considerable success. Astia and Springboard Enterprises are two programs that have built successful track records in helping scale women-owned companies by providing them access to equity financing, as well as business mentorship and training. Clearly, more of these types of programs are needed if we are going to truly move the needle on high-growth women's entrepreneurship.

STRONGER WORK-FAMILY POLICIES HELP WOMEN ENTREPRENEURS BUILD BETTER BUSINESSES

Reprinted from an article in The Conversation

By Sarah Thébaud

Today, November 19, marks Women's Entrepreneurship Day, an opportunity to celebrate and raise awareness about women entrepreneurs around the world.

Entrepreneurship is arguably crucial for job creation and economic growth. Yet persistently high levels of gender inequality in this segment of the workforce suggest that women remain a severely undertapped resource when it comes to growing a vibrant economy. And that is one key feature of persistent gender inequality we see across the workforce more broadly.

Although more women have launched businesses in recent years, their companies typically employ fewer workers and are less lucrative and growth-oriented. For instance, in 2014, woman-owned businesses in the United States employed only 6 percent of the workforce and created less than 4 percent of all revenues—figures that are about the same as they were in 1997. And that's despite being primary owners of more than one-third of all private companies.

That led me to pose the question: are there certain policies that can promote women's engagement in *high-growth* forms of entrepreneurship, not just business creation in general? Understanding the sociological reasons behind persistent gender inequities like these is central to my research.

In a recent analysis, I show some surprising new evidence that work-family policies may be of critical importance. I found that when women have access to policies like paid leave or subsidized childcare, their odds of starting a venture oriented toward economic growth and job creation are higher. When they don't, their odds are lower.

Childcare, Family Leave and Women Entrepreneurs

Scholars and policymakers already agree that government spending on childcare and family leave facilitates women's employment.

For instance, a higher fraction of women are employed in countries with generous work-family policies like Sweden and Denmark than in countries like the United States. This isn't surprising: when workers have access to the time and resources needed to combine employment with caregiving, few women find it necessary to cut back their hours, change careers or "opt out" of the workforce when they have family obligations.

In contrast, there are fewer desirable employment options for workers with family responsibilities in places like the United States that lack supportive work-family policies. In these contexts, conflicting work and family demands more often prompt women workers to search for more flexible options.

Interestingly, self-employment is often one such option, given that it affords the luxury of control over schedules, hours and the physical location of work. So women who lack access to supportive work-family policies may actually be more likely to start a business simply because they lack attractive options in traditional wage and salaried employment.

But there's a downside to that. When a person is motivated by a lack of attractive options, it's harder for them to create particularly large businesses or to develop and introduce a brand new product or service to the market.

Entrepreneurship as Fallback

To evaluate the relationship between work-family policies and entrepreneurial activity among women, I analyzed Global Entrepreneurship Monitor (GEM) survey data from 24 countries between 2001 to 2008. GEM collects data and publishes research on entrepreneurship in more than 100 countries.

My analysis appears in the current issue of Administrative Science Quarterly and is summarized in a policy brief for the Council on Contemporary Families.

The research relies on a series of multilevel statistical models that estimate how gender gaps in entrepreneurial outcomes and motivations vary according to the relative availability of paid leave, subsidized childcare and part-time employment opportunities.

Each model adjusts for several individual and country-level factors that are known to correlate with gender differences in entrepreneurship outcomes, such as age, education, GDP and unemployment rates.

My analysis shows that the gender gap in the probability of starting and owning a business is lower in countries where public provision for childcare is meager or nonexistent compared with those that are more generous.

For instance, in a context with no state childcare spending, such as the United States or Canada, a woman's probability of being engaged in entrepreneurial activity is about two-thirds that of a man. By contrast, in a context where the state spends generously on childcare, such as Denmark or Finland, it's only about half that of a man.

Further, I find evidence that this pattern likely arises because work-family policies are linked to women's, but not men's, entrepreneurial motivations. Specifically, women business owners are less likely to report pursuing entrepreneurship because they lacked a more desirable employment option in countries with generous subsidized childcare and/or ample part-time job opportunities.

This finding suggests that, in the absence of supportive work-family policies, women entrepreneurs are more likely to pursue entrepreneurship as a *fallback*, rather than a first-choice employment strategy.

Supportive Policies are Linked to More Vibrant Startups

But this dynamic leads to a particularly interesting outcome: the women who do run businesses in supportive contexts are more likely to be engaged in growth-oriented forms of entrepreneurship.

For example, I found that women business owners employ more workers, express more ambitious growth intentions and are more likely to report introducing a brand new product or service to the market in countries where government policies mandate between 20 and 30

weeks of full-time equivalent paid maternity and/or parental leave. Further, when government spending on childcare is relatively high (eg, more than 0.5 percent of GDP), women business owners are somewhat more likely to sell products or services that require the use of new technology.

Why? When individuals pursue entrepreneurship out of a necessity—like the need for better work-family balance—they tend to start smaller, less lucrative and less aggressively growth-oriented businesses. But such a necessity doesn't arise as often when supportive policies give the average woman a broader menu of attractive opportunities in standard employment.

So the women who *do* pursue entrepreneurship in contexts with supportive work-family policies end up being a more select group motivated by a desire to build larger, more innovative organizations that will have a more substantial impact on the economy and job growth.

Work-family Policies Offer a Choice

What all this means is that work-family policies facilitate entrepreneurship as a choice between two decent options: a secure job or the realization of a market opportunity, as opposed to a choice that is driven by necessity.

In doing so, they minimize the number of women who are vulnerable to the financial instability that is often part and parcel to small, low-growth forms of self-employment.

For instance, in the United States, women-owned businesses have been struggling to survive more in recent years than in the past, a trend that fuels women's lower incomes. Yet *growth-oriented* women entrepreneurs have been found to be among the happiest workers in our economy.

These findings underscore the idea that women's disadvantages in entrepreneurship are rooted, at least in part, in the inflexible employer expectations that often disadvantage them in standard wage and salary jobs.

Policies like subsidized childcare and paid leave, which mitigate work-family conflict, promote women's engagement in more innovative and job-generating forms of entrepreneurship—the kind that are arguably so critical to economic growth.