



Entrepreneurship is the engagement in economic activity by business owners and leaders, who identify opportunities to exploit new products, services, processes or markets. It is often associated with the operation of small and medium enterprises (SMEs), characterised by having limited physical, human, and financial resources. The field of entrepreneurship is relatively young compared to the more established field of management, while the study of entrepreneurship through a gender lens is still very much in its infancy.

Small and medium-sized enterprises

Small and medium enterprises (SMEs) are often categorised according to the number of its employees, the value of its assets, the amount of its revenue, or a combination of these criteria. Different countries have developed their own definitions, and thus there is no single generally-accepted definition of an ‘SME’.

The special category of women’s SMEs (WSMEs) is identified on the basis of owners’ and/or leader’s

gender, and likewise has no generally-accepted definition. In line with efforts to understand this sector, the International Finance Corporation (IFC) defines a WSME as a business:

- where 51% of ownership is held by a woman or women; or
- where 20% of ownership is held by a woman or women, where a woman holds a major leadership position (CEO/COO or president/vice president), and where 30% of the board of directors is composed of women.

It is estimated that there are between 36 and 44 million SMEs globally, of which up to 70% are located in developing countries. As many as 11.7 million of these SMEs in developing countries are further estimated to be WSMEs.

The contributions of SMEs and WSMEs to economic development has spurred sizeable data collection on this business segment, but only in pockets of the globe. This results in significant gaps in knowledge, particularly with respect to WSMEs and the ecosystem in which they operate.

Who is the woman entrepreneur?

The woman entrepreneur cannot easily be characterised given heavy social and cultural influences on gender roles and expectations. These not only affect the motivations for engaging in entrepreneurial activity, but also significantly influence decisions on the management and growth of women-owned enterprises.

Studies elsewhere, however, have offered some general characteristics of women entrepreneurs.

Education and work background affects skills and confidence

A woman entrepreneur has been found to typically report lower confidence in her skills and abilities compared to her male counterparts. These include management skills, key financial skills, the ability to develop a business case and to effectively pitch ideas to potential investors. A possible explanation for this is that women entrepreneurs have been found to have lower university education completion rates compared to male entrepreneurs. The lower university completion rates found among many women entrepreneurs is interesting, as this signals an opportunity to revisit the high levels of tertiary education participation rates among women reflected in conventional gender statistics: tertiary education participation is different from tertiary education completion, which may have a significant effect on the overall confidence of women to run their own businesses.

Furthermore, woman entrepreneurs tend to have less relevant practical work experience, particularly in human resource management, operational management and financial management. This is likely to have resulted from lower levels of participation in management and board-level positions while employed in the workforce. This may also be a consequence of slower career progression due to career breaks taken in order to care for children.

With less opportunity to gain experience and expertise in the workplace of large business organisations, women entrepreneurs presenting with lower skills relative to their male counterparts is unsurprising. Once women establish their businesses, the opportunity to upskill continues to be restricted by often working part-time as a result of caring responsibilities at home.

These factors put the woman entrepreneur at a distinct disadvantage in terms of developing

confidence in her management and leadership abilities throughout her entrepreneurial journey.

A different set of motivations

Women's motivations to start up an enterprise have been found to be quite different to men's. Women have been frequently found to engage in entrepreneurship out of necessity, rather than be driven to pursue a new market opportunity or novel business idea. The necessity driver often stems from a desire to achieve a work-family balance. This is very much related to culturally-determined gender roles, where women are generally expected to be primary carers of children, and to be mainly responsible for managing the home.

The decision of women to take the entrepreneurial path out of necessity is worthy of further study. This could be because among large employers, there may be a lack of flexible work options, or potentially negative perceptions regarding flexible work arrangements, which may be construed as a lack of loyalty or dedication in some cultures. If this flexibility is not offered by large employers, then women may be forced into alternative careers in entrepreneurship, which better offers the flexibility required to pursue a career while simultaneously managing a household.

Women may also be pressured to engage in business in order to augment household income. This puts women at a conundrum, given that there is pressure to contribute to family income within a broader context where there are structural issues that create barriers to greater women's workforce participation (such as the lack of flexible work arrangements). Whether the motivation is driven by a personal desire to build a career or to augment the family income, the flexibility offered by entrepreneurship appears to be key in allowing women the opportunity to fulfil culturally-determined roles and meet socially-determined expectations.

By contrast, male entrepreneurs appear to be more often motivated to engage business to pursue market opportunities. The well-established view of entrepreneurship as involving seeking or creating opportunities, designing innovative products and services, and growing entirely new markets appears to be much more associated with entrepreneurs who are men rather than women. These structural and motivational differences signal significant opportunities for further study.

The ecosystem of women's SMEs

The nature of SME businesses, led by both women and men, are often reflective of the entrepreneur's previous work experience. However, women have been found to often start their businesses on a smaller scale, operate with fewer resources, and typically engage in a narrower range of sectors. As a consequence, relative to equivalent male-owned enterprises, women's enterprises tend to present with lower sales and profits, which can make them appear more risky and thus less attractive to potential investors.

WSMEs have been typically found to operate in retail or service sectors, and enterprises tend to be domestically focussed. The woman entrepreneur is routinely subjected to cultural norms that affect her ability to grow her enterprise. This includes gendered divisions of labour and customs that predetermine

what activities are considered appropriate for women to undertake. Particularly in developing countries, these can affect the woman's ability to leave the home for work or even to have business interactions with some stakeholders, which can potentially lower her access to business clients.

In light of these social and cultural norms and expectations, recent research into WSMEs has suggested that the number of stakeholders in the WSME ecosystem is much greater, and the range of stakeholder interests much wider compared to traditional (and very well established) entrepreneurship frameworks. In particular, recent studies have highlighted the significance of women's roles in the home, family and community. The significant role that women play in these spheres, therefore, necessarily highlights the home, family and community as important stakeholders in the WSME ecosystem.

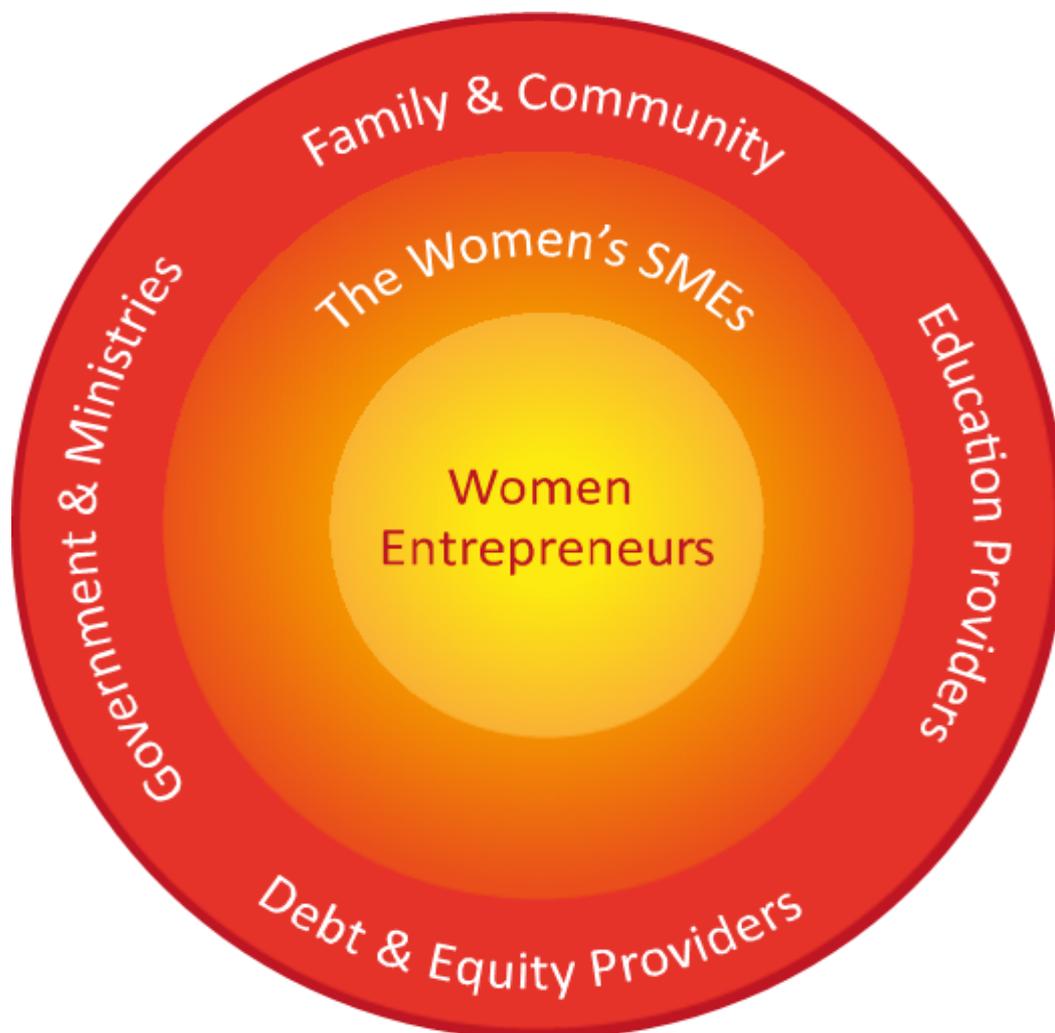


Figure 1. The women's SME ecosystem

The voices of women – what is holding them back?

Research elsewhere has shown that increased female labour force participation can boost per capita income and GDP growth in the short- and long-term horizon, as a result of women's investment in their families, a sustainable increase in purchasing power, and critical skills development.

Women choosing to participate by means of starting an SME are often motivated by the flexibility offered by running their own business, thus enabling them to better manage other responsibilities such as caring for children or other family members. A positive outcome of this is the opportunity for women to pursue careers and achieve greater levels of economic empowerment. Women entrepreneurs have also been found to reinvest heavily in their children, thus improving their health, education and nutrition, which the IFC believes are major catalysts for development.

While entrepreneurship may offer a good opportunity for women to juggle several roles and thus meet culturally-framed expectations, these same social and cultural norms may continue to pose significant barriers to the ability of women to grow their enterprises.

Women entrepreneurs may experience a number of gender-specific negative biases that are not necessarily experienced by male entrepreneurs. For example, the ability of women to effectively negotiate with suppliers or financiers may be impaired simply because negotiation may not be viewed by societies and cultures as a 'woman's job'. Deeply entrenched and internalised gender roles can manifest in a lack of assertiveness among women when going about the day-to-day management of people in their business. This lack of confidence in management may be reinforced by the generally low participation rates among women in management and corporate governance in large organisations, thus leading to self-doubt stemming from being a 'woman doing a man's job'.

Research elsewhere has also shown that entrepreneurs benefit from knowing other established entrepreneurs, who can act as mentors as well as connectors, who can help introduce new entrepreneurs to a wider, relevant network. Women entrepreneurs, however, have been found to have lower access to mentors compared to men. The lower degree of network embeddedness may be an important contributing factor to female entrepreneurs realising fewer pathways to accessing customers, suppliers or potential business partners.

Government policy and regulatory support are important factors in women's participation in the entrepreneurial arena. The nature of key regulations and policies – such as property rights and women's access to credit – can make a significant impact on women's ability to engage in entrepreneurial activity. This can be particularly prevalent in countries where women do not have access to the same property rights as men, which would enable them to use these assets as collateral for accessing capital. Additional legal impediments exist for women in some countries where they cannot independently sign legal documents, requiring a male family member to approve or sign on their behalf. All these factors contribute to women holding a lower status in society and thus pose significant barriers to the growth of WSMEs.

A deeper understanding of these social, cultural and regulatory factors is key to crafting strategies to initiate not just policy but also culture change. It is only through achieving this broader change that the environment for WSMEs to thrive and grow can be achieved.

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