

WOMEN-ENTREPRENEURS: A DYNAMIC FORCE OF SMALL BUSINESS SECTOR

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Welsh, D.H.B., & Dragusin, M. (2006, June). Women-entrepreneurs: A dynamic force of the small business sector. *Amfiteatru Economic*, 20, 60-68.

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Abstract:

The field of Entrepreneurship is experiencing worldwide not only a renaissance but a revolution in which women tend to play an important role.

Are women entrepreneurs good for the economic development? What is their contribution to a healthier economy? Is Entrepreneurship more suitable for males than females? How strong the gender stereotypes are and how can they affect business success?

Is Entrepreneurship an attractive career path for women? What kind of motivation and personality is needed for women in order to succeed as business owners? What are the main field women entrepreneurs are represented? How successful are their businesses? Is there a gender gap in entrepreneurial ventures growth? How attractive are the women's businesses to the venture capitalists? Are women business owners underrepresented in stories in the media, business school teaching materials and academic journals? How to increase the visibility of key role models? How to better educate, prepare and coach women entrepreneurs?

These are the main questions this paper will answer in the light of U.S.A. vast experience in theory and practice, a country where women business owners are a driving force both in terms of numbers and gross revenues. The authors will also identify methods of applying this knowledge to the specificity of emerging entrepreneurial culture in Romania.

Article:

The field of Entrepreneurship is experiencing worldwide not only a renaissance but a revolution in which women will continue to play an integral role. Entrepreneurship is a hot topic all over the world and women's entrepreneurship is even hotter.

1. Women-entrepreneurs and their contribution to a healthier economy

The growth of women's businesses is central to wealth creation, innovation and economic development in all countries. Their contribution to the economic growth is indisputable yet the full impact of their firms is still not widely understood.

In the United States women- owned businesses have been a major element in the evolution of its economy in recent decades. Businesswomen are a driving force both in terms of numbers and gross revenues. The sizeable movement of American Women into business ownership is an undeniable phenomenon. Their businesses' dynamic are closely monitored by several public and

private bodies, interested in high visibility research projects development. One of the main source of knowledge about women business owners and their enterprises worldwide is the Center for Women’s Business Research.

According to the Center for Women’s Business Research fact sheet, providing the most up-to-date information currently available on women-owned businesses, in 2004 there were an estimated *10.6 million privately- held, 50% or more women-owned businesses, in U.S., accounting for nearly half (47, 7%) of all privately held firms in the country*¹. This total of 10.6 million is comprised of 6.7 million privately-held, majority (51% or more) women-owned firms and 4.0 million privately-held, equally (50-50) women- and men-owned firms. These two segments account for 29.9% and respectively 17.8% of all privately-held companies in the country. Of the 10.6 million privately-held, 50% or more women-owned firms, 62.6% are majority (51% or more) women-owned firms and 37.4% are equally (50-50) women- and men-owned firms. *The 10.6 million companies generate \$ 2.46 trillion in sales and employ 19.1 million people nation wide.*

Also statistics show that, *between 1997 and 2004, the growth in the number of 50% or more women-owned firms is nearly twice the rate of all firms (17.4% vs. 9%), employment grew more than twice the rate (24,2% vs. 11.6%) and revenues increased at a similar rate (39.3% vs. 33.5%).* According to the Center’s estimates the number of privately-held, 50% or more women-owned employer firms grew by 28.1% from 1997 to 2004 - three times the growth rate of all U.S. privately-held employer firms (9.1 %). (Table no. 1)

Table no. 1 - Privately-Held, 50% or More Women-Owned Firms in the United States, 1997 - 2004

Total U.S.	1997	2004	2004/1997 (%)
- Number of Firms	9,058,297	10,630,045	117,4
- Number of Employer Firms	1,876,249	2,403,201	128.1
- Employment	15,360,618	19,083,377	124.2
- Sales	1,762,549,668	2,455,137,953	139.3

Source: Center for Women Business Research using Bureau of Census Data

The largest share of privately- held, 50% or more women-owned firms is in the service sector. Nearly half of these companies – 4.9 million (45.0%) are active in services, out of which: 1.8 million (16.4%) are in retail trade; more than 966,662 (8.9%) are in finance, insurance or real estate; 652,807 (6.0%) are in construction and other 1.4 million (12.5%) are industries that are not classified. (Table no. 2)

Table no. 2 - Privately-Held, 50% or More Women-Owned Firms in the United States, 1997 – 2004

	1997	2004	2004/1997 (%)
Retail Trade			
- Number of Firms	1,656,442	1,781,172	107.5
- Number of Employer Firms	508,367	601,441	118.3
- Employment	4,382,764	5,298,332	120.9
- Sales	404,786,694	550,212,226	135.9
Finance, Insurance an Real Estate			
- Number of Firms	859,071	966,662	112.5
- Number of Employer Firms	133,823	186,421	139.3
- Employment	553,780	482,100	87.1
- Sales	111,777,783	135,721,176	121.4
Services			
- Number of Firms	4,300,205	4,876,991	113.4
- Number of Employer Firms	657,045	901,431	137.2
- Employment	5,301,716	7,409,732	139.8
- Sales	345,979,206	524,813,153	151.7
Industries Not Classified			
- Number of Firms	660,646	1,351,756	204.6
- Number of Employer Firms	7,033	893	12.7
- Employment	6,015	977	16.2
- Sales	19,481,119	36,730,407	188.5

Source: Center for Women Business Research using Bureau of Census Data

Women-owned firms are continuously expanding into nontraditional industries such as: construction, with a growth in the mentioned period – 1997- 2004 of 30%; transportation, communications and public utilities (28.1% - growth); agricultural services (24.3% growth).

Rich data is available on women- owned firms' in each state of the country. The top five states for privately- held, 50% or more women-owned firms based on an average rank of the number of firms, employment, and sales in 2004 are: 1. California; 2. Texas; 3. Florida; 4. New York; 5. Illinois. In the top five fastest growing states based on an average rank of 1997 to 2004 growth rates in the number of privately-held, 50% or more women-owned firms, employment, and sales are: 1.Utah; Arizona; 3. Nevada; 4. Idaho; 5. Kentucky and New Mexico (tied).

By analyzing the statistics, researchers hope to raise the level of awareness and to be able to identify, describe and teach a growth process so that women's entrepreneurship can fulfill its positive economic impact. The findings are helping in the process of more effective identification, preparation and utilization of an important and valuable human resource.

2. Profile of the women-owned businesses

Gender is a personal variable the effects of which are highly disputed. Although the characteristics of both male and female entrepreneurs are generally similar, female entrepreneurs differ in terms of motivation, business skills and occupational backgrounds. Many researches in the field of female entrepreneurship have focused on personal characteristics, such as motivation, experience and the features of their businesses, such as firm size and sector.

Women are usually motivated by the need of independence and the need for achievement arising from job frustration². In contrast, men tend to be driven by the desire to be in control, to make things happen.

In terms of personality a businesswomen can fit, just like men, to a successful profile proving: high energy, courage, discipline, goal orientation, enthusiasm, innovation, persistence, passion, vision, client focus and wish to work hard. However, in contrast to men, women tend to be more flexible, balanced and tolerant, more realistic.

Some researches outlined³ that women are usually more prudent, less confident, less aggressive, easier to persuade and have inferior leadership and problem solving abilities when making decisions under risk. Also women have been described to be more dependent and have a greater concern for others. Recent studies showed stronger ethical tendencies in females. A study by Dawson (1995) found that females were less likely to break promises, more likely to disclose positive information about competitor's products, less likely to take advantage of confidential information, and less likely to provide gifts to get orders.

Average age when starting their venture is usually higher for women (35 to 45) then for men (25 to 35).

Factors in the start-up process of a business for male and female entrepreneurs are also different. *Women's decision to become self-employed is complex.* Women are more likely than men to shoulder family-related obligations. Women, especially those with young children, are more likely than men to mention flexibility of schedule and family related reasons for becoming self-employed⁴. Men's reasons show little association with their parental status. Departure points and reasons for starting a business are similar for both women and men. Both have generally a strong interest in the area of their venture but men have usually more practical experience. Men more often have education and experience in manufacturing, finance or technical areas in contrast to women that usually have education mainly in liberal arts and administrative experience, at the middle management level, often in service related areas.

Women are more likely to represent smaller than larger businesses. Although the growth in the number of women-owned businesses is encouraging, the size of such businesses remain small in terms of both revenues and number of employees, especially in comparison to male owned businesses. As outlined already, female business ownership is concentrated primarily in the retail and service industries where businesses are relatively smaller in terms of employment and revenue as opposed to high technology, construction and manufacturing. Also, research concerning growth aspirations revealed that there are gender differences. Nearly half of the husband/wife partnership in a study⁵ had low growth aspirations. Owner with business partners

other than a spouse were more likely to be growth enthusiasts. Another study⁶ aiming to reveal the gender's impact on business retention or survival rates was conducted on a sample restricted to sole proprietorship in retail and service industries. Results revealed that survival rates were affected by owner experience for both, male and female –owned businesses, but was higher by 6% for men. Gender differences in the status of wage workers impacted negatively on the survival of female-owned businesses due to lower average wage earning and lack of previous managerial experience. Recent findings suggest that younger firms are more likely to experience fast growth⁷. The owners of younger firms tend to be more highly educated than women business owners of previous generations.

As contextual complement to human capital, social capital is recognized as a crucial to success variable. Researchers found that social and business relationships provided information and resources benefits that shaped expectations for the new venture and venture financing. The impact of social capital was important not only at the earliest stages of the venturing but also as it carried through to exit strategy. Support groups also provide a point of gender contrast. Women list their spouses' first, close friends second, and business associates third. For men the most important supporters are outside advisors (lawyers, accountants), with their spouse being the second. Moreover, women usually rely heavily on a variety of sources for support and information, such as trade associations and women's groups, whereas men are not so likely to have as many outside supporters.

The exploratory research of C.G. Brush⁸ revealed as the most prominent obstacles for women entrepreneurs: not being taken seriously; child and dependant care; growth and expansion capital; entrepreneurial education and training. For women entrepreneur establishing a venture, previous experience in the field of the venture, financial skills, strength in dealing with people and idea generation combined with market opportunity, motivation were keys to survival.

3. Access to the capital

Access to the capital is a critical issue for small businesses, for their growth. They typically cannot access the traditional capital markets, being dependent on informal sources of financing (such as personal savings, loans from family and friends, home equity loans, credit cards), bank loans and trade credits. For women- entrepreneurs too the lack of capital can unable their firms to develop new products and services to meet demand.

Start-up financing is another area where women entrepreneurs differ from men. Whereas men often list, in addition to personal funds investors, bank loans and personal loans, women usually rely solely on personal assets or savings. Unfortunately banking industry was not always open to award loans to women entrepreneurs. This appears to be changing, particularly in the major metropolitan areas. Some financial institutions now see women entrepreneurs as a market niche and actually court their business.

Among the reasons, cited by the researchers⁹, explaining why acquiring capital and dealing with financial institutions is particularly difficult for women entrepreneurs are:

- small size of most women-owned firms;
- lack of financial sophistication;
- risk aversion;

- possible discrimination.

Although women entrepreneurs complained of discrimination by bank officers, the bank officials argue that most of them are lacking important entrepreneurial characteristics like: leadership, autonomy, readiness for change etc. The findings of the study¹⁰ indicate that women more easily relate rejection of loans to gender bias than men do. The author concludes that gender differences may be based on bankers' and venture capitalists' perceptions and stereotypes rather than reality.

A recent report¹¹ exploring women entrepreneurs willingness to take financial risks, has found that contrary to common belief, many women business- owners are willing to take substantial financial risks to ensure the success of their businesses. The National Venture Capital Association reported¹² that if in 1995, the U.S. venture capital industry invested \$5.7 billion in 1265 enterprises, in 2000, the amount invested had reached more than \$102.3 billion, invested in 5.608 deals. On average venture-funded firms received approximately \$18.2 million to fuel venture growth in 2000. Although U.S. venture capital investments increased few women-led ventures participated in the boom. In fact, women entrepreneurs have received less than 6% of all venture capital investments. The internet also is playing an increasing role in matching business-women to investors.

4. Women –entrepreneurs' visibility

In the field of entrepreneurship there is a relatively rich literature on businesswomen providing visibility to their efforts. Many studies and articles¹³ described the characteristics of women entrepreneurs, their success rate and growth, or the race, age, marital status, hours worked and education. Other research compared men and women entrepreneurs or the self employed on a number of characteristics such as the problem they have to face, their survival and success rate, their sales volume and business or personal income, location, turnover rates and number of hours worked, startup activities, growth rates and company characteristics related to legal form, age, size. Researches have been made on the individual's education, past and current employment status, industry or professional experience, marital or family status, spouse's employment history, personal wealth and race or ethnicity. Despite the fact that gains in women business ownership in the U.S.A. have been extraordinary popular press coverage has actually declined and academic articles on women owners are rare. Women owned businesses become more and more "the invisible entrepreneurs"¹⁴. In U.S.A. the media no longer considers women's business "news" and scholars are less interested in this topic because women's firms are mostly small and unimportant.

Affiliation to associations, as forms of networking, plays an important role in women entrepreneurship's success. In U.S. a large number of women's associations have the mission to help, counsel, teach, encourage and inspire women entrepreneurs. They also contribute, through their activities, to a higher visibility of businesswomen. In a study¹⁵ that there are noticeable differences by gender in participating in associations, namely a larger interest in the case of men - 29.3% vs 20.3% for women. On the top of their expectations to be met is placed the desire to gain more and reliable market information as well as information about legislation and technologies.

Some studies on women entrepreneurship investigated the importance of social networks, questioning whether women participated fully in the appropriate networks. Differences were evident in the gender of network members: men did not have women in their networks, while women had primarily women in theirs. Women entrepreneurs are embedded in different personal and social networks than men are with far-reaching consequences for their rates of business formation, survival and growth. Women tend to view social relationship in a significantly different way than men do, placing more emphasis on responsibilities and obligations. On the other side men tend to see situations in terms of that they may gain from it and are willing to subordinate affective considerations to ones of effectiveness.

If in US the media no longer considers women's business "news" and scholars are less interested in this topic because women's firms are mostly small and unimportant, Romania is at the beginning of exploring this subject.

5. Women-entrepreneurs in Romania

In Romania, after 1989, a country with very low entrepreneurial culture, the small business sector had to be practically recreated after decades of centralized economy. Men and women had, theoretically, equal opportunities to start their own businesses. In fact, entrepreneurship is viewed by many persons as more suitable for men than for females¹⁶. The conservative, traditional approach according to which women should stay at home, raise children and reinforce traditional family values on a day by day basis is still wide spread. Recent findings¹⁷ revealed that such gender stereotype of women as main householder is still very strong. Nevertheless Romanian women emancipation was also delayed by the poor endowment with home appliances and by the involvement in high time-consuming activities at home. Statistic figures shows that Romanian women entrepreneurs are highly involved in the private sector and their companies equals 38% of the total¹⁸. Some of their successful stories presented in mass media are testimonials to the emergence of Romanian women entrepreneurs on the business scene. Romania has its own top highly successful business owners. Even if among them there are only three women listed¹⁹ this is a sign of Romanian businesswomen's continued progress and achievement, a proof of their high potential.

Romanian women entrepreneurs are involved in a larger variety of economic sectors (other than retail, services) comparing to those of European Union or U.S.A., as a natural consequence of their active role played as employees in the former centralized economy. Romanian businesswomen do not feel discriminated comparing to men.

More and more business women consider joining a professional women's association to find a support network for their ideas and work. This trend indicates that Romanian businesswomen are beginning to understand the importance of membership in associations and how combining their efforts can have a great impact on local and central administration bodies. This movement is at the beginning but it numbers already a lot of local and/or professional associations, focused on promoting women's access in the world of businesses. Romanian Association of Women Entrepreneurs or Association for Women's Entrepreneurship Development are only a few examples. Coalition of Business Women Associations in Romania (www.cafa.ro), launched at the beginning of 2004, is an informal coalition of 17 members, having a well defined statement of principles, a code of conduct and clear stated principles of action. The forth Conference of

Women in Business, which took place last year and gathered more than 100 participants from all over the country, had on the agenda the topic of the economic environment's evolution and its impact on the women's firms.

As the main governmental body responsible for the small business sector in Romania, the National Agency for Small and Medium Sized Enterprises (SME) and Cooperatives has important strategic priorities aiming to create a business environment favorable to establishing and development of SMEs no matter the gender of their owners

6. Conclusions

Businesswomen have a major contribution to the wealth creation, innovation and economic development. There are differences among male and female entrepreneurs from several points of view: motivation, experience, firm size and sector.

There are specific and near term issues that need appropriate action taking. One of this has to do with the kind and amount of education and training women will receive. A second near term issue involves the quality and quantity of the counseling and advising made available in the coming period.

Understanding and appreciating the social and economic impact of women entrepreneurs is a key to a more effective identification, preparation, and utilization of a most valued human resource sector of Romania which contributes to the vitality and well being of the economy.

Notes:

¹ Both women-owned and all U.S. privately-held firms include both firms with paid employees and firms without paid employees. These exclude publicly-held, foreign-owned and nonprofit businesses.

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⁴ Boden Jr., R.J.: “Flexible working hours, family responsibilities and female self-employment: Gender differences in self-employment selection”; American Journal of Economics and Sociology, 58 (1)/1999, 71-84

⁵ Baine, S. & Wheelock, J.: “Working for each other: gender, the house hold and micro-business survival and growth”; International Small Business Journal, 17 (1)/1998, 16-35

⁶ R.J. Boden and A.R. Nucci: “On the survival prospects of men's and women's new business ventures”; Journal of Business Venturing, 15(4)/2000, 347-362

⁷ “New Generation of Women Business Owners”, Center for Women's Business Research, Executive Report

⁸ C.C.Brush: “Women owned businesses Obstacles and opportunities”; Journal of Developmental Entrepreneurship, 2(1)/1997, 1-24

⁹ L.Sang-Suk; D.Denslow: “A study on the major problems of U.S. Women-owned small businesses”; Journal of Small Business Strategy; Vol. 15; nr.2/2004

¹⁰ Buttner E.H., Rosen B.(“Rejection in the loan application process: male and female entrepreneurs' perceptions and subsequent intentions”; Journal of Small Business , 30 (1)/ 1992, 58-65

- ¹¹ www.nfwbo.org / “Women Entrepreneurs Savvy about Risk”, July 2005
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