

## **BANK LOAN OFFICERS' PERCEPTIONS OF THE CHARACTERISTICS OF MEN, WOMEN, AND SUCCESSFUL ENTREPRENEURS\***

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### **Abstract:**

Much anecdotal evidence suggests that women, compared to similarly situated men, have great difficulty securing financing for entrepreneurial endeavors. In addition, a mounting body of evidence illustrates how women in managerial roles are perceived in terms of sex stereotypes rather than in terms of their accomplishments. The present study extends this line of research to investigate whether female entrepreneurs are also viewed in terms of sex stereotypes.

One hundred and six bank loan officers evaluated either men, women, or successful entrepreneurs on scales assessing nine attributes of successful entrepreneurs. The nine entrepreneurial qualities were leadership, autonomy, propensity to take risks, readiness for change, endurance, lack of emotionalism, low need for support, low conformity, and persuasiveness. It was hypothesized that sex stereotypes influenced perceptions that women, compared to men, did not possess the characteristics necessary for successful entrepreneurship.

Results confirmed the hypothesis that characteristics attributed to successful entrepreneurs were more commonly ascribed to men than to women. On the dimensions of leadership, autonomy, risk taking, readiness for change, endurance, lack of emotionalism and low need for support, bank loan officers rated women as significantly less like successful entrepreneurs compared to men. While gender differences on the remaining three dimensions failed to reach statistical significance, women were never rated as closer to successful entrepreneurs than were men. These results are consistent with anecdotal evidence of the difficulties female entrepreneurs encounter in securing working capital. The results are also consistent with past research examining commonly held sex stereotypes of male and female managers and executives.

These findings raise questions regarding the degree to which loan officers are influenced by sex stereotypes in considering loan applications from male and female aspiring entrepreneurs. From a bank's perspective, it may be important to train loan officers to avoid falling back on sex stereotypes in evaluating proposals for new businesses. Similarly, it may be important to alert

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Copies of the complete questionnaire are available upon request from the authors.

female entrepreneurs to the need to dispel traditional sex stereotypes in the context of loan application interviews.

## INTRODUCTION

New ventures have had a substantial impact on the economy. Since 1960, the number of new incorporations has more than tripled, and 80% of the new jobs created in the United States were in companies less than four years old (Malabre 1980). About one third of new businesses were formed by women (Humphreys and McClung 1981). Between 1971 and 1977, the number of self-employed women increased nearly 25% (Humphreys and McClung 1981), and between 1980 and 1985, the number of self-employed women increased from 2.1 million to 2.6 million (Taylor 1986).

The success of any new business depends initially on the entrepreneur's ability to obtain support and assistance from bankers, venture capitalists, suppliers, consultants, and customers (Aldrich and Zimmer 1985). Evidence suggests that women have more difficulty than men in gaining access to the support network necessary to successfully launch a new venture. In Hisrich and O'Brien's (1982) study, for example, women reported that they had difficulty obtaining capital and dealing with lawyers, accountants, suppliers, and customers.

One explanation offered by female entrepreneurs for their difficulty in gaining access to support networks is that they are victims of sex discrimination. Twenty seven percent of the women cited in a study by Humphreys and McClung cited discrimination as a major or moderate obstacle in starting and operating their own business. In Hisrich and O'Brien's (1982) study of female entrepreneurs, feelings of discrimination were illustrated by one respondent's comment that "banks give the impression that women should not be operating a business. Therefore they give us the run around." Another respondent complained that she had to "furnish 100% collateral for a working capital loan, which the bank would not have required from a man with (her) experience" (Hisrich and O'Brien 1982).

To the extent that key members of the business community view women as lacking the characteristics of successful entrepreneurs, they may, indeed, make it more difficult for women than men to succeed in new ventures. Before we can know the validity of this explanation for female entrepreneurs' venture-starting difficulties, however, two questions must be answered: First, what are the characteristics deemed necessary for entrepreneurial success; and secondly, how positively are such characteristics associated with the stereotypical characteristics of women versus men?

## CHARACTERISTICS OF ENTREPRENEURS

Hornaday and Bunker (1970) found that entrepreneurs see themselves as high in energy level, initiative, and self-reliance. Comparing scores of entrepreneurs and men in general on the Edwards Personal Preference Inventory and the Gordon Survey of Interpersonal Values, Hornaday and Aboud (1971) reported that entrepreneurs scored significantly higher on scales reflecting independence and leadership effectiveness and significantly lower on need for support. An investigation by Mescon and Montanari (1981) concluded that compared to managers, entrepreneurs have a higher level of endurance and are capable of greater sustained effort. Finally, recent work by Sexton and Bowman-Upton (1985, 1986) showed that on several

personality inventories, entrepreneurs scored higher than managers on energy level, risk taking, social adroitness, autonomy, and change. Entrepreneurs scored lower on conformity, interpersonal affect, and succorance.

In summary, entrepreneurs have been found to possess a set of leadership skills and attributes that include an ability to inspire others, autonomy, and a high level of endurance. Entrepreneurs demonstrate a propensity to take risks and are ready for change. Entrepreneurs also possess social skills such as persuasiveness, low need for support, low conformity, and lack of emotionalism.

## ENTREPRENEURIAL ATTRIBUTES AND SEX STEREOTYPES

The issue of women's perceived fitness for entrepreneurial roles parallels quite closely the issue of women's perceived fitness for managerial and professional roles. Research by Schein (1973, 1975) examined the degree to which commonly held stereotypes of males and females overlapped with perceptions of what attributes are necessary for managerial success. Schein had groups of male and female managers rate men in general, women in general, or successful managers, on 92 items describing personality characteristics, attitudes, and temperament. She found that successful managers were perceived to have characteristics more commonly associated with men than with women. Do sex stereotypical perceptions of females as unfit for managerial roles also apply to the perceived fitness of women aspiring to entrepreneurial roles?

## PURPOSE OF THE STUDY

Key members of entrepreneurs' support networks are bank loan officers. Bruno and Tyebjee (1985) reported that entrepreneurs cited banks as a major source of funding second only to venture capitalists. Accordingly, it is particularly important to examine loan officers' perceptions of sex stereotypes and characteristics considered to be important for entrepreneurial success. Building on Schein's earlier work (1973, 1975), we hypothesized that bank loan officers perceive men to be more like successful entrepreneurs than women.

## METHOD

### *Sample*

The sample consisted of 60 male and 46 female loan officers at a medium-sized southeastern banking institution. Labor force statistics show that 63% of loan officers in the U.S. are male (Mellor 1984). Therefore, the gender composition of our sample appears to be fairly representative of male and female loan officers nationally.

### *Procedure*

Of the 141 questionnaires mailed to loan officers, one third asked questions regarding personality characteristics of men, one third asked questions regarding personality characteristics of women, and one third asked questions regarding personality characteristics of successful entrepreneurs. Based on random assignment, each loan officer received only one questionnaire. Instructions indicated that the researchers were interested in learning how individuals form impressions of others. Respondents did not know that other versions of the questionnaire existed. Respondents were asked to complete the questionnaire and return it in a post-paid self-addressed return envelope. One hundred six usable questionnaires were returned, resulting in a 75% response rate.

### *Measurement Instrument*

The attributes identified in previous research to be characteristic of successful entrepreneurs constituted the nine dimensions used in this study (Hornaday and Aboud 1971; Hornaday and Bunker 1970; Mescon and Montanari 1981; Sexton and Bowman 1985; Sexton and Bowman-Upton 1986). These dimensions are: leadership, autonomy, moderate risk taking, readiness for change, endurance, lack of emotionalism, low conformity, low need for support, and persuasiveness. Items for each dimension were developed directly from descriptions of the characteristics of successful entrepreneurs used by Sexton and Bowman-Upton (1986). The items included in each dimension were:

- *Leadership*: self-confidence, demonstrated leadership ability, ability to inspire others, intelligence, forcefulness, and assertiveness.
- *Autonomy*: self-reliance, independence, and dominance.
- *Propensity to take risk*: ability to handle risk, ability to evaluate risk, copes well with uncertainty, enjoys taking risks, willingness to take chances, and enjoys gambling.
- *Readiness for change*: adapts readily to change, unafraid of new and different experiences, and easily bored by routine.
- *Endurance*: high energy level, capable of sustained effort, persistent, and does not tire easily.
- *Lack of emotionalism*: not aware of others' feelings, not emotional, and not compassionate.
- *Low need for support*: low need for reassurance, low need for support, low need for sympathy, does not desire close friendships, and does not confide in others.
- *Low conformity*: does not go along with the crowd, and not easily influenced by others' opinion.
- *Persuasiveness*: persuasive and manipulative.

The final questionnaire consisted of 44 items. Thirty four items assessed perceptions of entrepreneurial characteristics. Ten filler items describing other unrelated personality attributes were interspersed throughout the questionnaire to avoid sensitizing respondents to the objectives of the investigation.

Each loan officer rated either men in general, women in general, or successful entrepreneurs, according to how characteristic each item was of that group. Respondents assigned a rating to each item in each dimension from 1 for "not characteristic" to 6 for "characteristic." To help the loan officers make their evaluations, the instructions suggested that they imagine that they were about to meet a man, a woman, or a successful entrepreneur for the first time and to evaluate each item based on their expectations prior to the meeting.

### RESULTS

The reliability of the questionnaire instrument was assessed to determine internal consistency. The alpha coefficient of the rating scales was 0.76, indicating an acceptable degree of reliability.

Loan officers evaluated one of three groups—men, women, or successful entrepreneurs—along nine dimensions of entrepreneurship. Items describing characteristics of each dimension were added and averaged to obtain an overall dimension score for each of the personality dimensions for men, women, and successful entrepreneurs.

Analysis of variance procedures were used to examine the data for differences in ratings by loan officers across the dimensions for men, women and successful entrepreneurs. Significant differences between the groups were then evaluated using t-test procedures.

### *Men, Women and Successful Entrepreneurs*

Comparisons of evaluations of successful entrepreneurs, men, and women on dimensions previously found to be associated with entrepreneurial success are shown in Table 1 and are illustrated in Figure 1.

We hypothesized that men would be perceived to have more of the characteristics of successful entrepreneurs than would women. The pattern of means shown in Table 1 strongly supports our hypothesis for six of the nine dimensions. Men, compared to women, were consistently seen as closer to successful entrepreneurs on leadership, autonomy, risk taking propensity, readiness for change, endurance, and low need for support. With the exception of autonomy, successful entrepreneurs were evaluated significantly higher than males on each of these dimensions. On each of these six dimensions women were evaluated significantly lower than men. Figure 1 vividly illustrates that women were seen as much less likely than men to possess characteristics attributed to successful entrepreneurs on these six dimensions.

Previous research indicated that entrepreneurial success was associated with a degree of interpersonal detachment. Ratings on the dimension, lack of emotionalism, indicated that men were rated as least emotional. Men were rated as significantly less emotional than were successful entrepreneurs. Women were rated as significantly more emotional than both men and successful entrepreneurs. The pattern of ratings on the lack of emotionalism dimension varies somewhat from the patterns of ratings on the first six dimensions. While men were seen as particularly low in emotionalism, entrepreneurs were viewed as somewhat more emotional. Consistent with previous research findings on sex stereotypes (Schein 1973, 1975), women were perceived to be very emotional.

On the eighth dimension, lack of conformity, significant differences were again obtained in evaluations of successful entrepreneurs, men, and women. Men and women were seen as significantly higher on conformity than were successful entrepreneurs. Men were seen as lower than women on this dimension. However, while the pattern of mean evaluations was in the predicted direction for lack of conformity, significant differences were not found for evaluations of men and women.

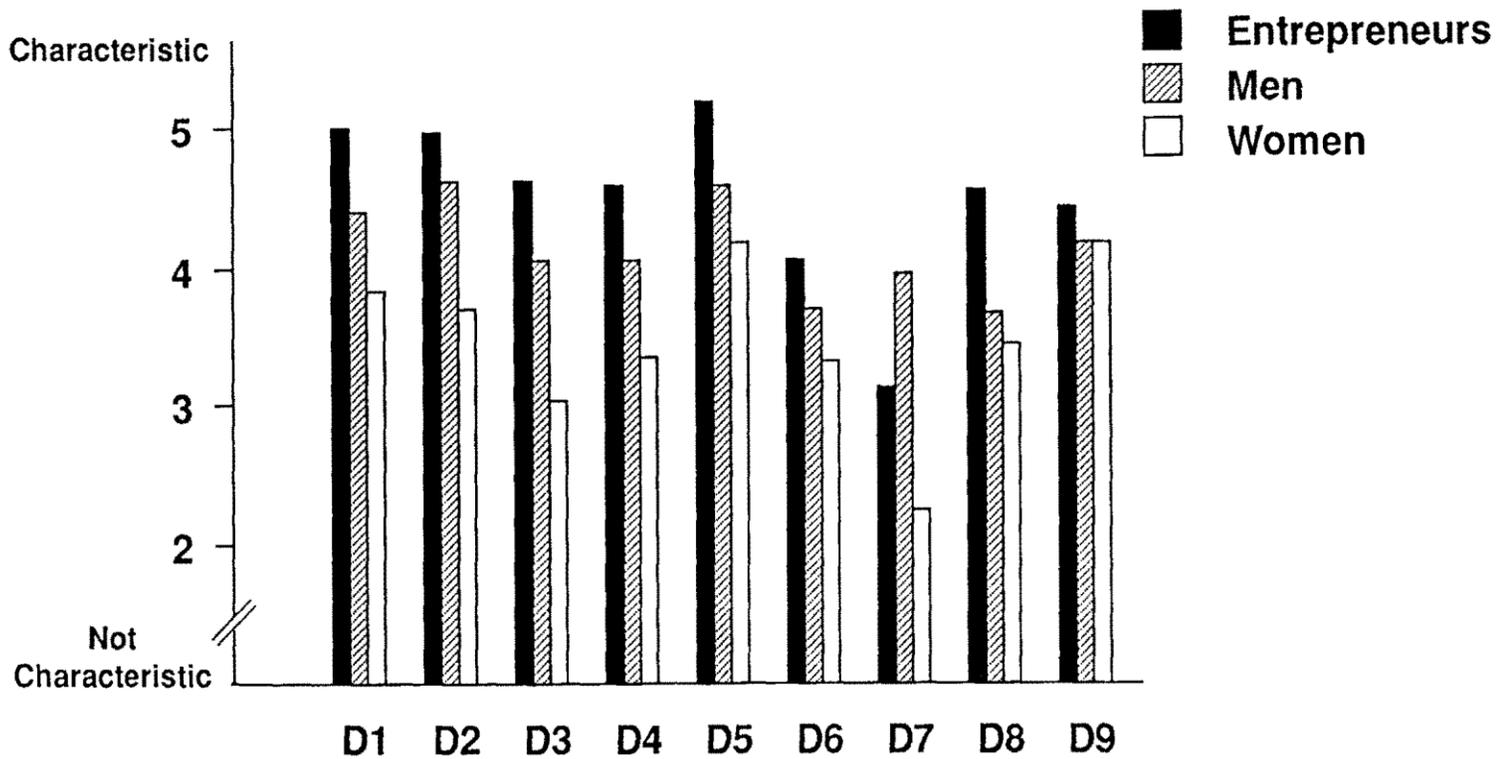
On the final dimension, persuasiveness, no significant differences were found for evaluations of successful entrepreneurs, men, and women. Again the mean ratings were in the predicted direction, but the actual differences between the groups were very small.

Clearly, successful entrepreneurs are seen as possessing a unique combination of characteristics, skills, and personality attributes not commonly found in the general population. As illustrated in Figure 1, men are seen as possessing most of these skills to a greater extent than women.

### *Gender of the Loan Officer*

Previous studies have assessed the influence of the sex of the respondent on perceptions of the characteristics of men and women. Schein's (1973, 1975) findings suggested that sex

**FIGURE 1** Mean evaluations of Men, Women, and Entrepreneurs on Dimensions of Successful Entrepreneurs.



- D1 = Leadership                      D4 = Readiness for change                      D7 = Lack of emotionalism  
 D2 = Autonomy                      D5 = Endurance                      D8 = Low conformity  
 D3 = Risk taking propensity                      D6 = Low need for support                      D9 = Persuasiveness

**TABLE 2** Mean Ratings of Women as a Function of Respondent Sex

Dimension	Mean Ratings by Respondent Sex		t-test
	Male Respondents	Female Respondents	
Leadership	3.52	4.33	3.373 <sup>b</sup>
Autonomy	3.49	4.07	2.315 <sup>a</sup>
Risk Taking Propensity	2.88	3.30	1.855
Readiness for Change	3.26	3.55	1.043
Endurance	3.97	4.50	2.280 <sup>a</sup>
Low Need for Support	3.14	3.60	2.386 <sup>a</sup>
Lack of Emotionalism	2.27	2.17	.475
Low Conformity	3.21	3.90	2.002
Persuasiveness	4.21	4.20	.024

<sup>a</sup>p < .05; <sup>b</sup>p < .01.

stereotypes are widely held. Both male and female managers saw women as unfit to hold managerial positions. In the present study, responses of male and female loan officers were compared to determine if they held similar views about personality characteristics of men, women, and successful entrepreneurs. There were no significant differences in mean ratings of men as a function of respondent sex. Male and female respondents differed in their evaluation of women on four dimensions as Table 2 shows.

Female loan officers rated women significantly higher on leadership, autonomy, and endurance than did the male loan officers. The female respondents also evaluated women in general as significantly lower on need for support than did the men in the sample. In evaluating successful entrepreneurs, the only dimension on which male and female respondents differed was leadership. Female loan officers perceived successful entrepreneurs to be stronger on leadership (mean = 5.23) than did the male loan officers (mean = 4.87;  $t = 2.14$ ,  $p < .02$ ).

## DISCUSSION

The findings strongly confirmed the hypothesis that women are seen as less entrepreneurial than men. Specifically, along the dimensions of leadership, autonomy, risk taking, readiness for change, endurance, lack of emotionalism, and low need for support, women were perceived to be significantly less like successful entrepreneurs than were men. Men and women were both rated lower than successful entrepreneurs on the lack of conformity dimension. Men, women, and successful entrepreneurs were not seen as significantly different in persuasiveness. Across all nine dimensions, women were never rated as significantly closer to successful entrepreneurs than were men.

Schein (1973, 1975) showed that women were perceived to be lacking characteristics, attitudes, and temperament necessary for management positions. The present research extends Schein's earlier work to examine the relationship between characteristics attributed to men and women and those attributed to successful entrepreneurs. Consistent with Schein's findings that women were not seen as well suited for managerial roles, this study also found that women were perceived to lack the characteristics necessary for successful entrepreneurship.

A number of studies (Beaux and Taynor 1973; Dipboye, Arvey, and Terpstra 1977; Rosen and Jerdee 1974, 1974a, 1975; Shaw 1972; Terborg and Ilgen 1975) have shown that sex stereotypes depicting females as lacking managerial characteristics adversely influenced female managers with respect to employment, job assignment, promotion, development, and performance evaluation. These stereotypes likely hinder women's progress and advancement in organizations.

The results of this study raise the question of whether loan officers would be influenced by these stereotypes and would treat loan applications from male entrepreneurs more favorably than from female entrepreneurs. To the extent that loan officers are influenced by perceptions that women are not suited for entrepreneurship, then females could be at a particular disadvantage in raising capital, a major obstacle for aspiring female entrepreneurs. Our findings are consistent with anecdotal evidence that female entrepreneurs have more difficulty than men in raising venture capital (Hisrich and O'Brien 1982; Humphries and McClung 1981).

We chose to examine the perceptions of bank loan officers because of the critical role that they play in launching new ventures. Note, however, that compared to female loan officers, male loan officers perceived a larger gap between the attributes of successful entrepreneurs and the attributes of women. This suggests that aspiring female entrepreneurs might receive more favorable treatment from female loan officers. Additional research is needed to further investigate this possibility.

Aldrich and Zimmer (1985) have proposed that entrepreneurship be viewed in a social context. Entrepreneurial success depends on the effectiveness of the entrepreneur's social network, including relationships with bankers, customers, suppliers and others in a position to influence the development of the new venture. Our findings suggest that it may be harder for women than men to cultivate one linkage in these networks because of stereotypes that women are lacking characteristics necessary to become successful entrepreneurs. Additional research should focus on the perceptions of other members of the entrepreneur's support network. To the extent that women have greater difficulty in establishing linkages in these social networks, the likelihood of the success of female-owned businesses may be seriously diminished.

An important extension of the present research is to assess the consequences of sex stereotypes on the willingness of network members to assist and support male and female entrepreneurs. For example, members of the business community could be presented with identical information regarding the development of a proposed new venture, attributed to a male entrepreneur in one experimental condition and to a female entrepreneur in a second condition. Comparisons would reveal willingness of network members to provide various levels of advice, support, and assistance to entrepreneurs of both sexes. This research question is currently under investigation by the authors.

Our research findings suggest that, compared to men, women are seen as less likely to possess the necessary attributes for successful entrepreneurship. Assuming that forewarned is forearmed, it is important to alert aspiring female entrepreneurs to the kinds of skepticism and resistance that they might encounter. Perhaps in the context of workshops for aspiring female entrepreneurs, sex stereotypes could be explored and strategies for overcoming bias could be addressed. When dealing with loan officers, for example, aspiring female entrepreneurs could come ready to dispel stereotypes with examples demonstrating their capacity for acting independently and their willingness to take business risks.

Small business is a vital force in the U.S. economy. The number of women going into business for themselves is rising rapidly. The success and growth of female owned businesses could have a positive impact on employment and income at a time when many large businesses are suffering slow growth. Identifying and eliminating obstacles to success for both male and female entrepreneurs should become a research priority in the years to come.

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