

Women in Entrepreneurship: Uncovering the barriers

Literature Review

Purpose of Review

The purpose of this text is to provide the Female Founders, an association that supports female entrepreneurship in Singapore; a literature review summarizing the typical challenges women entrepreneurs face. This will feed into the larger topic of "how to grow the number of Small and Medium size Enterprises and startups in Singapore, by increasing the overall quantity of females in the entrepreneurial space." In detail, the text will clarify the definition of entrepreneurship, and describe the general representation traits for women in entrepreneurship. It will raise the psychological and societal factors that may influence gender segregation in entrepreneurial ventures, such as levels of entrance, success, and funding. In the end, the text will touch upon cultural factors that may particularly influence the way women work in entrepreneurship, wherever appropriate.

Introduction

Women's entrepreneurship is growing at a fast speed globally, bringing significant benefits to the entrepreneurial and general business society. Parallel to the increase in women in the workplace, this population holds a wealth of profit, knowledge, and innovative opportunities. With this comes the articulation of unique challenges faced by the women entrepreneurs, which had not been actively discussed previously.

The definition of entrepreneurs is highly debated, as it is a dynamic concept in nature, covering a large degree of field, with in various interpretations by scholars. "It involved analyzing people and their actions together with the ways in which they interact within their environments, be these social, economic, or political, as well as the institutional, policy and legal frameworks which help define and legitimize human activities." (Kent & Vesper, 1982) Different literature shines light on distinctive areas of entrepreneurship: the process, structure, activity, and way of thought, all expanding the field of topic. The range of entrepreneurial roles is

increasing steadily, by highlighting the creators, technopreneurs, intrapreneurs, extrapreneurs, social entrepreneurs, and the self-employed.

For the purpose of this literature review, the statement of scope for entrepreneurship will be kept to entrepreneurship activity by establishing a new entity and generating economic profit. This excludes corporate entrepreneurship and intrapreneurs, who demonstrate entrepreneurship activity within the framework of an organization. It also excludes non-profit organizations, where profit generation is not of focus. In this case, we refer to businesses that are or aiming to be self-funding, generating sufficient profit to be able to operate sustainably. Lastly, joint ventures and self/employed independent workers are not included, as the nature of operation is distinct from new business creation.

Areas of Focus

Women in Entrepreneurship Framework

Brush, De Bruin, and Welter provide a framework for understanding the characteristics of women's entrepreneurship. (2009) It is important to note that the framework does not apply to all women, as individuals have different values, goals, and life choices. The framework is modeled from a previously thought out "3Ms" idea, comprising of 3 foundation factors required for successful entrepreneurship: Management, Market, and Money. On top of this, the authors have added 3 other factors, "M'HER" or "Motherhood," "Macro," and "Meso" environment. "Macro" and "Meso" are the external environment factors capturing the society and culture norms. "Motherhood" stands as a metaphor for the internal, or family conditions of the entrepreneur, emphasizing the finding that it has a larger impact towards women entrepreneurs than men. The external environment also has an additional influence: "Macro" refers to "national policies, strategies, cultural and economic influences," whereas the "Meso" refers to "regional support policies and services and initiatives." (Candida G, et al., 2009) From this, it could be concluded that women have a tendency to consider more challenges when starting, continuing, or growing a business compared to men. While there are growing support for the entrepreneurship opportunities, funding, and human resources, there is still a gap between managing or supporting the internal and external conditions, regardless of the gender. The article suggests solid solutions such as shared family responsibilities, gender empowerment through advocacy, fostering creativity equally from youth through education.

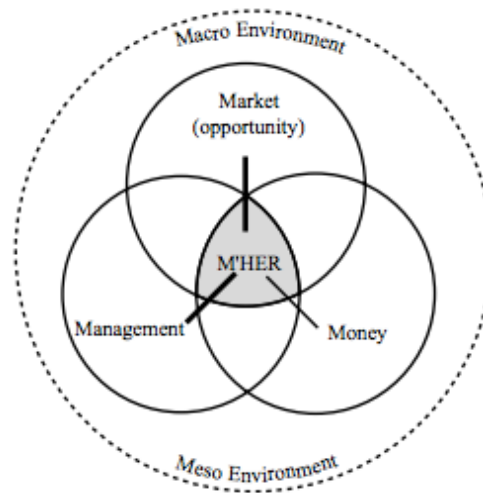


Figure 1. Women in Entrepreneurship Framework "5Ms" (Brush, et al., 2009)

Traits of Business Types

McClelland et al. concludes from their sample data that while there is a range of business sectors and industries, women preferred to include a social element to their business. (2005) This is interpreted as businesses having a purpose to better the community, society, or the environment. Additionally, this is the predominant motivation for women to start a business, later on acting a strong mission or objective for growth.

Effect of male dominate environment

Ely finds that the low representation of women in leadership positions has an effect on the individual perception of power and performance in the workplace. (1995) Women perceive that workplaces or groups with high male ratios create environments where there are struggles in aligning firm's success expectations, not fitting in to various social situations, and managing stereotypical gender roles. The entrepreneurship space replicates this environment, with high male ratio across the globe. In order to increase women entrepreneurship, the gender power differences must be alleviated gradually.

Stereotypes of Gender on Performance

Finks' report compiles of series of research regarding stereotypes due to entrepreneur's gender. (2015) They showed that while gender does not have influence on individual ambition and motivation of the CEOs, women tend to have strong ambition for growth (47.4% of women extremely interested in growth vs. 32.4% of males); this comes from women having a mindset of sustainability and continuity of business in the long term, compared to males who considers quick growth and exit. Women tend to have a tendency to be more modest than males, in building on past experiences, expertise, or level of network, which goes against the typical characteristics of entrepreneurs. Also, women entrepreneurs are more open taking and mitigating financial risk compared to males. They rank higher than males in metrics such as, "I am good at identifying and mitigating risks" (92% vs. 88%) or " Colleagues would say I am fearless in the face of failure" (91% vs. 86%), concluding confidence in ability as well as intrinsic motivation.

However, it is also shown that women highlight more barriers and challenges in starting and growing a business, with the top 3 being: team capabilities, high level of competition, dealing with rapid growth. The actual effect of these barriers towards the individual businesses are not measured, however sharing these concerns publicly may project under-confidence and less optimism compared to male entrepreneurs.

Women realize the importance of networking, however they are more critical on the effectiveness of the networks and are looking for solution based education from peers. While women do not consider gender differences when expanding their network, their focus on quality naturally lessens the number of networks.

Only 17 % of the respondents cites childcare as a barrier for women entrepreneurship, moreover they note that adapting their work to the spouses business due to financial and time commitment is more challenging. (24%) They have concluded that women are significantly more ambitious, risk takers, and critical than perceived. The demand for support must be met to ensure growth of women entrepreneurs.

Challenges in Funding

There is general hypothesis that woman entrepreneurs are not motivated to take on high potential business, becoming less attractive candidates to Venture Capital investors. Diana Project research examined further regarding the reason why so few startup companies with women on the board receives funding. (Brush, et al, 2014) This research was based on 6,793 unique companies in the United States that received venture capital funding between 2011 and 2013. The results showed that while funding for companies with women on the executive board members are still low in volume (18% in 2011) and in amount (9% of total), the average VC dollar investment is similar or slightly above than a all male team. Together with the projected increase of women entrepreneurs, the total number and volume of funding is likely to increase. In terms of industry, companies with women CEOs are prevalent in software, biotechnology, and business products and services. Companies with women in the team have higher valuations in the first and last stages of funding compared to all male teams. From the VC side, larger firms (assets of \$269 million versus \$210 million) invest more in companies with female entrepreneurs. To support this, numerous programs have emerged in the US, which include Goldman Sachs' 10,000 Small Businesses, Tory Burch Foundation, Babson College Center for Women's Entrepreneurial Leadership program. While the women entrepreneurial ecosystem is developing, the VC firms needs more females on the team as well as educating investors towards assessing firms equally despite the gender of the executive team.

Buttner and Rosen's report also supports the argument that it is the investors or banks who assess the candidates for funding, who has a gender stereotype, rather than the gender of the entrepreneur having an effect on performance or success. (1988) Buttner and Rosen presents nine major characteristics of entrepreneurial qualities; leadership, autonomy, propensity to take risks, readiness for change, endurance, lack of emotionalism, low need for support, low conformity and persuasiveness. Out of this, the assessors tend to rank leadership, autonomy, risk taking, readiness for change, endurance, lack of emotionalism and low need for support considerably lower for women entrepreneurs compared to males. As a result, women entrepreneurs are in an inferior position, receiving less financial support for the business.

Case: Women Entrepreneurship in China

In an Asian context, in this case China, the characteristics of women entrepreneurs were not all that different from previously mentioned characteristics. (Scott and Jin, 2014) Women entrepreneurs are ambitious, and strive for steady and secure growth. As a hindrance to this, many women have highlighted that networking can be a challenge. Many business connections in China are built on informal social relationships, strengthened through late night events, drinking, and smoking with partners. Even banks or investors choose not to invite women out for a business dinner due to cultural norms, letting opportunities pass for women. As these activities are frowned upon for Chinese women, it creates an extra layer of difficulty for women in business.

The article also discusses culture differences in the perception of leadership. Countries such as China, having a history of oppression from foreign invasion, tend to have strict government power, low tolerance of diverging from the social norm, and are less open to innovation. From this, both men and women have a weak belief about women in leadership.

Women Entrepreneurship in South East Asia

While women entrepreneurship sees hardship across the globe, Tambunan focused on looking at whether there were any particular characteristics for the South East Asia region. (2009) He concluded that the challenges were magnified in this region, due to the reflection of psychological, social/cultural, religion, economical, and educational factors. This interpretation has a stronger coherence to women in the general business environment rather than limited to entrepreneurship. While Singapore is in an advanced condition compared to its neighboring countries such as Malaysia, Indonesia, or Thailand, the nation still sees a male dominant entrepreneurship ecosystem.

Entrepreneurship in Singapore

From 2010, Singapore has slowly become an entrepreneurial hub of Southeast Asia. The government has realized the potential and impact of economic growth by investing their funding in the startup ecosystem. According to Anthony (2015), Singapore has three components that have created this environment.

1) A hospitable business environment

Singapore has a hassle free process to operate businesses in the country, ranking number 1 for the ease of doing business. The main contributing factors are dealing with contracts and protection of minority investors. Foreign nationals are also able to enter the entrepreneurship space with a specific employment pass. This goes in line with Price Water House Coopers Singapore's (PWC, 2016) recommendation for the government to attract entrepreneurs outside of Singapore, in order to increase the startup momentum and foster cross industry innovation. This will also allow a more rapid mindset shift towards new cultures, including gender diversity in the entrepreneurial space.

2) Government involvement

In 2008, the government launched the Early Stage Venture Investment Fund program under the National Framework for Innovation and Enterprise scheme. This program allows governments to match the funding from five specific venture capital companies. Another program, Technology Incubation Scheme, was launched a year later to fund 85% of the capital start up when investors put in 15%. In 2015, they have also built an entrepreneurial hub, "Block 51" near reputable schools, such as National University of Singapore and INSEAD, as well as other government sponsored innovation hubs. To increase the skills level, the government has invested S\$19 billion over 5 years to multiple grants and programs such as SkillsFuture.

3) Realizing the social influence

Political leaders and influential business leaders have started advocating the significance of entrepreneurship and their benefits to the public. National University of Singapore has been active in introducing their students to entrepreneurial hubs. By creating a strong social

movement and including entrepreneurship as part of tertiary education to the leaders of Singapore, the government is making progress in raising the acceptability and awareness of the new career option.

The Singaporean government strives to offer a rounded support system for entrepreneurs, by providing infrastructure, funding, and advocacy. However, there is no evidence for special remedies to specifically increase female entrepreneurship.

Women Entrepreneurship in Singapore

McClelland, et al.'s discusses the commonalities and differences of women entrepreneurship in 6 nations of Singapore, South Africa, Australia, New Zealand, Canada, and Ireland. (2005) As a result, the motivation factors, sectors of preferences, and funding difficulties were similar across countries, however networking purposes and international growth showed significant differences. When focusing on Singapore, women entrepreneurs' utilized networking for business development rather than gaining support or mentorship. 100% of Singapore women involved in this research raised gender difference as a major challenge in starting a business, marking the highest percentage out of the other countries. In most cases, once the business performance is proven to stakeholders, the challenge diminishes.

Compared to other countries, Singapore has a low female to male entrepreneurship ratio, respective to a "significant scope of government arbitraries," or support. (Saul and Mickiewicz, 2011) [Appendix, Figure 2 and 3] They conclude that governments with high level of support tend to encourage entry and aspiration towards women entrepreneurship, in theory favoring the condition of Singapore. This shows opportunity for Singapore to increase its female entrepreneurship activities.

Call to Action: Future Recommendations

Based on the articles reviewed, the key measures to improve the women entrepreneurship ecosystem are, adapting the networking methods, educating the funding parties, and promoting

business success rather than gender stereotypes. For networking, several articles concluded that women seek different output from networking sessions in contrast to men, especially when it comes to receiving mentorship and support. Women feel inefficient in traditional networking forums, and prefer settings where they can receive more concrete results from the meetings. For this, in-person educational seminars, roundtable discussions, and member's only business networks should be facilitated to connect women entrepreneurs to a wider audience. A large piece of the text covered the stereotype that women were not as motivated as males, especially in funding. However, the pitfall seems to be on the investor side, as their stereotype and lack of women representatives decrease the number and amount of funding towards women entrepreneurs. For this, it is necessary to include the VC firms as part of the entrepreneurial ecosystem, and create educational sessions for fair assessment for the candidates. Lastly, advocacy and PR towards success stories for women entrepreneurs are needed. Media utilization leads to mindset and culture change against gender differentiation in entrepreneurship, as well as displaying of women role models for the next generation in the long run.

Appendix

Figure 2. Rule of law and ratio of female start-up rate to male start-up rate. Note: Countries with rule of law (controlled for GDP pc) are located on the right. (Estin and Mickiewicz, 2011)

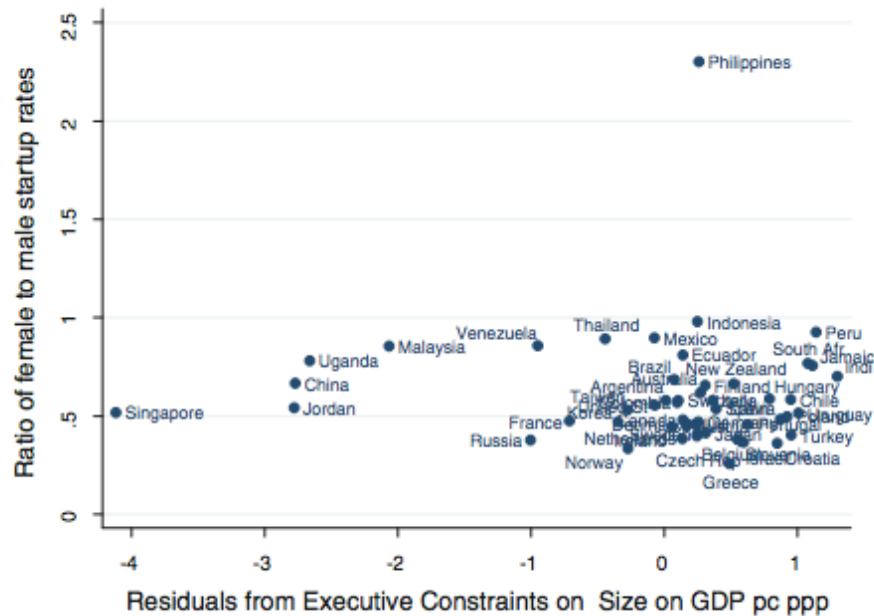
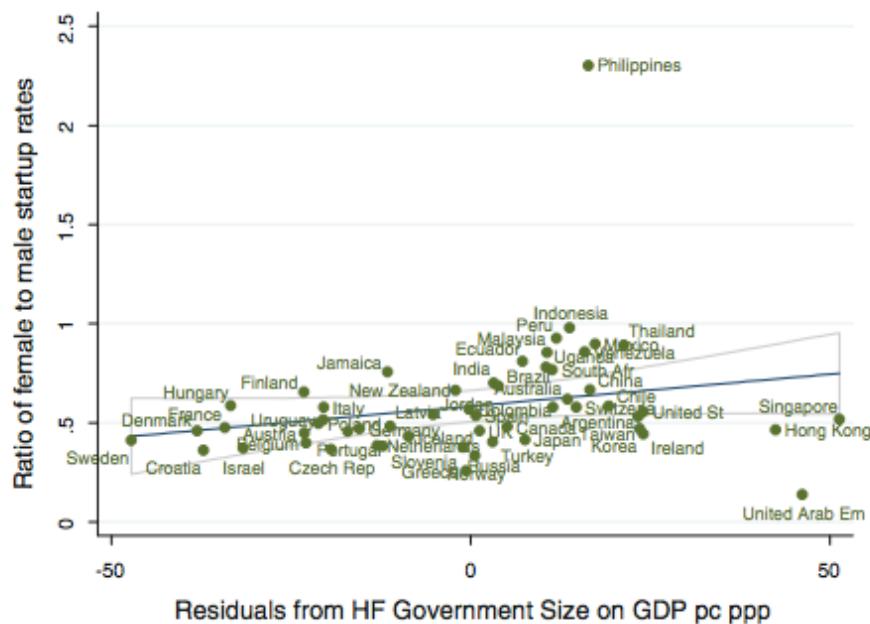


Figure 3. The size of the state sector and ratio of female start-up rate to male start-up rate Note: Countries with larger state sector (controlled for GDP pc) are allocated on the left (Estin and Mickiewicz, 2011)



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