



The Global Entrepreneurship Monitor (GEM) 2007 Report on Women and Entrepreneurship

EXECUTIVE SUMMARY

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Women entrepreneurs make an important contribution to the development of the world economy, particularly in low and middle-income countries. *The Global Entrepreneurship Monitor (GEM) 2007 Report on Women and Entrepreneurship* is the fourth in a series of reports undertaken to provide a comprehensive and up-to-date study of the role played by women involved in entrepreneurial activity across the world economy. The GEM research project provides comparable data for a cross-national assessment of entrepreneurial activity in 41 countries* whose economies represent more than 70 percent of the world's population and 93 percent of global GDP in 2007. The GEM 2007 Women's Report provides an analysis of the key characteristics and context of female entrepreneurial activity and how that may differ from that of their male counterparts. It is our hope that this work will advance the understanding of the needs of aspiring and existing female entrepreneurs, and will provide policy insights useful to developing and enhancing an environment in which the spirit of women's entrepreneurship may flourish.

In 1997, the United Nations Economic and Social Council established a gender mainstreaming program to guide research, policy-making, and program development under the purview of the United Nations Development Program. Fundamental to the establishment of this type of program is the understanding that real progress cannot be made without an investment in both the men and women in a given country. Indeed, research on women in development indicates that the returns to the investment in women are much higher than for men. Women are more likely to share their gains in education, health, and resources with members of their families and their communities at large. Research on microfinance indicates that the same is true for economic investments. Women are simply more likely to work for, buy for, and share their economic and noneconomic rewards with other people. To put it more explicitly in economic terms, investment in women's entrepreneurship is an important way for countries to exponentially increase the impact of new venture creation. Ignoring the proven potential of women's entrepreneurial activity means that countries put themselves

at a disadvantage and thwart their opportunity to increase economic growth. For this reason, finding ways to empower women's participation and success in entrepreneurship is critical for more sustainable and successful economic development in all countries.

ENTREPRENEURIAL ACTIVITY

In an effort to understand the activity of entrepreneurs at various stages of business formation, GEM identifies two categories of entrepreneurs—early stage and established—based upon the age of their businesses. Early stage entrepreneurs are those involved in owning and managing, alone or with others, a nascent business, or one that has been in operation for 42 months or less. By contrast, established entrepreneurs, are those involved in owning and managing, alone or with others, a business that has successfully survived in the market beyond 42 months, as 3 ½ years is the approximate critical period within which a business is most likely to fail. These two categories are very important as they convey different information about the entrepreneurial landscape of a country. Early stage entrepreneurship indicates the dynamic entrepreneurial propensity of a country. In other words, it shows the percentage of population willing and able to undertake new venture creation. Established business ownership, instead, indicates the percentage of population actively involved in running businesses that have proven to be sustainable.

Entrepreneurial activity varies significantly across countries, both in terms of the level and the type of entrepreneurship, but countries with similar levels of per capita GDP tend to exhibit broadly similar patterns. While GDP is an important aspect to examine, there also are important regional and cultural differences in entrepreneurial activity. This year, GEM grouped countries into two low/middle-income groups, Europe/Asia and Latin America/Caribbean, and one high-income group taking into account GDP as well as region and culture. On average, low/middle-income countries have modest per capita income (averaging \$10,407 U.S.)



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and faster-growing economies (average GDP growth of 5.4 percent), compared to high-income countries (with average per capita income of close to \$35,000 U.S., and average GDP growth of 3.5 percent). Regardless of gender, entrepreneurial activity is significantly higher in both of the low/middle-income groups than in the high-income group of countries. And, entrepreneurial activity is significantly higher in the low/middle-income Latin American and Caribbean group (21 percent) than either the low/middle-income European and Asian group (12.2 percent) or the high income group (7.9 percent).

Across the 41 countries participating in this report, the pattern of entrepreneurial activity also held true by type of entrepreneurship. Low/middle-income countries in Latin America and the Caribbean exhibited the highest rates of female early stage entrepreneurial activity (14.4 percent), while the European and Asian low/middle-income country group (7.62 percent) and the high-income country group (4.34 percent) exhibited increasingly lower rates of female early stage entrepreneurial activity, respectively. The participation of women in established business-ownership also follows this pattern.

Examination of entrepreneurial behavior around the globe yields a clear picture of a gender gap in venture creation and ownership activity. Overall, with the exception of Japan, Thailand, Peru, and Brazil, where the rates of early entrepreneurial activity are larger or almost identical in males and females, men are more likely to be involved in entrepreneurial activity than women. The entrepreneurial gender gap exhibits varying dimensions and characteristics, including the following:

- In all three country income groups, a significant gender gap exists for both early stage entrepreneurial participation and established business ownership, and this gender gap is greatest in the high-income country group, regardless of type of activity. In the high-income group, men are almost twice as likely to be early stage or established business owners than women.
- In 2007, only in Japan and Peru are women more active in starting a business than men.
- The Latin American and Caribbean low/middle-income countries exhibit a narrower gender gap, particularly for early stage entrepreneurship. In these countries, the gender gap between male and female early stage entrepreneurs is 24.0 percent, but it widens to 47.1 percent for established business owners. Surprisingly, the gender gap in European and Asian low/middle-income countries is almost identical to the gender gap in high income countries for early stage entrepreneurs (44.8 percent and 43.4 percent, respectively). Further, these two country groups have a gender gap for early stage entrepreneurship that is nearly double that found in the Latin American and Caribbean low/middle-income countries. In the European and Asian

low/middle-income countries and the higher-income countries, the gender gap for established business owners in these country groups is 44.3 percent and 52.3 percent, respectively, which are quite similar to the Latin American and Caribbean low/middle-income countries. These striking differences in low/middle-income country groups highlight the regional and cultural differences in the two groups, and those differences have the most impact on early-stage entrepreneurship with respect to gender.

- The gender gap with respect to new venture survival rates varies across country groups. High-income countries show a greater overall likelihood that early stage entrepreneurs will become established entrepreneurs compared with both low/middle-income country groups; and in high-income countries there is no gender difference in the survival rate of women's businesses versus those of men. In both regional groups of low/middle-income countries, however, a gender gap is present and the likelihood of business survival beyond 42 months is lower for women than for men.

MOTIVATIONS AND BUSINESS OUTCOME

The GEM survey allows us to differentiate the motives of entrepreneurial behavior. The GEM framework labels those individuals who start a business to exploit a perceived business opportunity as opportunity entrepreneurs, and those who are, by contrast, pushed to start a business because all other options for work are either absent or unsatisfactory as necessity entrepreneurs. Although the vast majority of early stage entrepreneurs say they are attempting to take advantage of a business opportunity, the ratio of opportunity to necessity entrepreneurship is significantly higher in the high-income country group than in low/middle-income country groups, and this effect is significantly greater for women entrepreneurs.

An analysis of entrepreneurial motivation shows several interesting gender differences including:

- The rate of opportunity entrepreneurs differs significantly by gender in both low/middle-income country groups and the high-income countries. In general, across all countries, the rate of male opportunity entrepreneurship is higher than that of women.
- By contrast, there is no gender gap with respect to necessity entrepreneurship. Regardless of country group, no significant difference by gender is apparent in the rate of necessity entrepreneurship. For the Latin American and Caribbean low/middle-income countries, the rate of female necessity exceeds that of males but the difference is not statistically significant.

ENTREPRENEURIAL SCOPE

The focus and potential of entrepreneurial activity is quite varied worldwide. The scope of women's entrepreneurial activity may be understood by looking at industry sector,



use of technology, firm employment, and growth potential. Women's businesses exhibit many similar patterns to those of men and may be characterized in scope as follows:

- Women entrepreneurs create and run businesses across all of the broad industrial sectors of extraction, transformation, business services, and consumer-oriented products, as do men. The industrial focus of women's firms differs somewhat from that of male counterparts with a significantly higher percentage of women's ventures in the consumer-oriented sector compared with men's for both early stage entrepreneurs (60.3 percent vs. 37.0 percent) and established entrepreneurs (50.7 percent vs. 30.4 percent).
- Latin American and Caribbean low/middle-income countries are the locale for the highest level of women's participation in consumer-oriented industry (74.3 percent) while the high-income countries show somewhat higher rates of women's participation in extractive, transformative, and business services sectors (52.1 percent).
- Judging the expected growth potential of businesses based upon their use of technology, level of competition, and novelty of products or service offerings, similar patterns are evident for female and male entrepreneurs for all countries. This holds true for both early stage and established businesses.

CHARACTERISTICS OF WOMEN ENTREPRENEURS

Research has shown that age, work status, education, income, social ties and perceptions are all significant socioeconomic factors in a person's decision to start a business. While many similarities exist among women and men entrepreneurs, there also are some interesting differences, as follows:

- The pattern of age distribution for men and women entrepreneurs is similar and comparable regardless of country or stage of entrepreneurship. In the low/middle-income country groups, women are most likely to be early stage entrepreneurs between the ages of 25 to 34, and to become established entrepreneurs between the ages of 35 to 44 years old. In high-income countries, the age window for women's entrepreneurial activity broadens, with early stage entrepreneurial activity most likely among women ages 25 to 44 and established business ownership most likely among women 35 to 54 years old.
- Regardless of gender or country group, employment matters to entrepreneurial activity. The likelihood of being involved in entrepreneurial activity is three to four times higher for those women who also are employed in a wage job (whether full or part time) compared to those who are not working, are retired, or are students. This suggests that working provides access to resources, social capital, and ideas that may aide in establishing an entrepreneurial venture.

- On average, women entrepreneurs in high-income countries are better educated than those in low/middle-income countries. In high-income countries, more than half of women entrepreneurs have secondary degrees, and more than one-quarter have graduate degrees. In low/middle-income countries, the percent of women early stage entrepreneurs and established business owners with less than a secondary degree is 34.1 percent and 40.4 percent, respectively, for Latin American and Caribbean group and 39.2 percent and 39.7 percent, respectively, for the European and Asian group. In the aggregate, the rates of less than secondary education range from 47 percent to 85 percent less than is the case for women entrepreneurs in higher-income countries, depending upon stage of entrepreneurship and country group.

Surprisingly, in all country groups, the level of educational attainment is not consistently higher for women who are established business owners than for women who are early stage entrepreneurs. In fact, except for women with only some secondary education, the level of education is the same or higher for early stage entrepreneurs compared with established business owners. While none of these differences is significant, this pattern was not seen in earlier GEM women's reports and may indicate a generally higher level of education for women in all countries.

In all three country groups, women and men in households with the highest incomes are more likely to be involved in early stage entrepreneurial activity. Rates of activity rise with an increase in household income for established business owners in all country groups and for all women entrepreneurs, regardless of business stage, in the high-income countries. By contrast, low versus middle percentile household income is not a significant influence on the rates of early stage entrepreneurship in either of the low/middle-income country groups. Nonetheless, early stage entrepreneurial activity is four times higher among women in Latin American and Caribbean low/middle-income countries compared to women in high-income countries, regardless of income level. For the European and Asian low/middle-income countries, there is only a two-fold difference compared to high-income countries.

- Considering the interactions of employment, income level, and education, some interesting results appear. For those with a household income in the lowest group, having a job makes a woman more than three times as likely to be involved in early stage entrepreneurship than if she is not employed (74.3 percent and 21.6 percent respectively). And, given only some secondary education, a working woman is nearly twice as likely to be involved in early stage entrepreneurship as a nonworking woman (9.9 percent and 17.6 percent respectively). Furthermore, considering only higher educational attainments within household income groups does not yield an increase in female early stage entrepreneurship; it is employment that seems to matter most. These findings may suggest that for the poorer and less educated, paid employment provides a valuable platform toward starting a business.



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- Women entrepreneurs tend to be more confident in their own skills, are more likely to know other entrepreneurs, and are more alert to the existence of unexploited opportunities than women who indicate no entrepreneurial activity. This pattern is identical to what men exhibit.

Nonetheless, in all three country groups, women's level of optimism and self-confidence with respect to starting a business is lower than that of their male counterparts. These perceptions are subjective and are likely influenced by contextual factors, such as culture and social norms. They do not appear to be correlated in any significant way with education, work status, or household income.

- Similarly, entrepreneurs generally exhibit less fear of failure than those who indicate no entrepreneurial activity. Still among entrepreneurs, women in all country groups were more likely to express a fear of business failure compared to their male counterparts. The gender gap in fear of failure was largest between men and women in Europe and Asia low/middle-income countries (approximately 8 percent), followed by the Latin America and Caribbean low/middle-income countries (approximately 5 percent), with no significant gender gap in the high-income countries (less than 3 percent). Women in the Europe and Asia low/middle-income countries had the highest fear of failure rates (40.3 percent), compared to women in Latin America and Caribbean low/middle-income countries (34.2 percent) and women in high-income countries (27.1 percent). Fear of failure for women in low/middle-income countries may be higher because of the higher prevalence of necessity entrepreneurship among women in these regions.

IMPLICATIONS FOR POLICY

The GEM data for 2007 suggests several important conclusions with respect to women's entrepreneurship around the globe:

1. Women's entrepreneurship matters. Women are creating and running businesses across a wide range of countries and under varying circumstances. Female entrepreneurship is an increasingly salient part of the economic makeup

of many countries and is a key contributor to economic growth in low/middle-income countries, particularly in Latin America and the Caribbean.

2. A gender gap exists with respect to new venture creation and business ownership. This gap is significant and systematic, varying both by country GDP as well as by region. The gender difference is more pronounced in high-income countries but persists throughout all regions, with European and Asian low/middle-income countries showing a greater gap than the Latin American and Caribbean low/middle-income countries.
3. Being employed and having a social network that includes other entrepreneurs are stronger predictors of women's entrepreneurship than educational attainment or household income.
4. Perceptual factors that reflect optimism, self-confidence, and reduced fear of failure are important predictors of women's entrepreneurship.

Women find themselves in very different situations compared to men and these different situations result in different perceptions about the world. Given similar situations, the data suggests that women nonetheless perceive the world differently from men. The implications for policy-making that emerge from this diversity of circumstances and perspectives point to the need for customized or targeted policies. As we have learned from programs like the UNDP's gender mainstreaming initiative, successful and sustainable economic growth is best achieved when *all* citizens are mobilized and empowered. Research and policy making may perhaps best be focused on how to effectively change the business environment and social institutions to support women through employment, access to social and financial capital, and raising self-confidence. Of particular importance is research that investigates the relationship between factors at the country and regional level and key indicators at the individual level. The Global Entrepreneurship Monitor points scholars and policy-makers to some of these key indicators and offers the opportunity for further inquiry.

*In 2007 there were 42 countries that participated in GEM. This report analyzes the data for 41 countries as the United Arab Emirates chose not to be included.

The Global Entrepreneurship Monitor (GEM) 2007 Report on Women and Entrepreneurship is available online at www.babson.edu/cwl. Please visit www.gemconsortium.org.

