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Analyzing Female Entrepreneurship in a Global Context -The Challenges and the Road Ahead

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Abstract

In both developed and developing countries, women have always been associated with small-scale and home-based businesses for supplementing the household income. However, in recent times, many women are consciously giving up jobs for becoming entrepreneurs in formal as well as informal sectors. It is expected that by the year 2018, 9.72 million small, business-related jobs will be created and female entrepreneurs will contribute more than 50% in this job creation. These statistics prove that women are becoming more comfortable in assuming leadership position and creating job opportunities on a large-scale. Also, with more women launching exciting new ventures that are not just limited to small-scale businesses, it can be said that female entrepreneurship is reshaping the business landscape. However, the situation is not entirely perfect, since female entrepreneurs have to face certain unique gender-related challenges. The purpose of this theoretical paper is to highlight the unique aspects of female-owned businesses, find out the special challenges that women face because of their gender and discuss the strategies that they can consider for handling these challenges successfully. The findings can be helpful for women planning to launch their businesses or female entrepreneurs experiencing business-related challenges.

Keywords:Female entrepreneurship, female entrepreneurs, small-scale businesses, home-based enterprises

Introduction

Over past some years, female-owned businesses have been growing rapidly in different countries of the world, supplementing household income and making significant contributions to national economies as well. While it is only recently that media and organizations are focusing on areas of female entrepreneurship, the truth is that many women have been running small, home-based businesses since many years. The World Bank states that female-owned businesses are usually informal and operate within conservative sectors that include retail, health, food and service. ¹ Over the years, the situation hasn't changed drastically. Even in the 21st century, female entrepreneurship is largely restricted to small or medium firms. One report by Global Partnership for Financial Inclusion states that women-owned businesses represent 32-39% in very small firms, 30-36% in small scale SMEs, and 17-21% in mid-sized companies. ² These statistics highlight the fact that though female entrepreneurs are making significant contributions in the informal sector, they are yet to make their mark in the formal sector.

Definition of Female Entrepreneurship

Female entrepreneurship is difficult to define, as agreed definition of this term does not exist. Also, the definition varies from one country to another. While the US Census Bureau defines female-owned business as the “one that in which the principal owner or the majority of share holders are female”, in UK it is defined as the “one that is either wholly or majority owned by one or two women”. ³ For this paper, the author will accept the definition offered by OCED, which states that “Entrepreneurs are persons that have a direct control over the activities of an enterprise, by owning the totality or a significant share of the

business. Employer entrepreneurs are those entrepreneurs who employs at least one other person". In this context, OCED further states that businesses that have a sole-proprietor female can be defined as female-owned businesses.⁴

Though a working definition of female entrepreneurship has been established, it is still necessary to simplify the definition for any layperson to understand. In simple terms, female entrepreneurship can be defined as a process where a woman launches new ventures that contribute to personal and economic growth. A female entrepreneur is a creative and practical person who recognizes the right opportunities and uses them for introducing, growing and diversifying commercial ventures.⁵

Examples of Inspirational Female Entrepreneurs

1) Yang Lee is a journalist and Chinese media person who is considered as one of the most influential figures in the Chinese media circle. She launched the Sun Media with her husband and currently, their media business operates in various segments that range from TV, internet to magazines and newspapers.

2) Oprah Winfrey is a celebrated talk show host, producer and actress who currently owns three companies.⁶ Though she was born in poverty; Winfrey now owns wealth in billions.

Objectives

The objectives of this paper include-

- 1) To identify the unique aspects of female owned businesses in a global context.
- 2) To identify the challenges faced by female entrepreneurs worldwide.
- 3) To suggest some practical solutions for coping these challenges successfully.

Methodology

This is a theoretical research paper, where the researcher has used secondary information produced by different authors, social organizations and researchers. For acquiring necessary information, the researcher has explored various books, journals, thesis as well as websites that have been mentioned in the reference section.

Discussions

Dimensions of Female Owned Businesses

Many of us would love to believe that gender does not play any role in affecting business performance. After all, what has gender got to do how well one runs his or her business? Unfortunately, the reality is not so simple. This is especially true for female entrepreneurs. Women entrepreneurs experience unique challenges, have different ideologies as compared to men and these factors often make female owned businesses different from male owned businesses on several aspects. A survey conducted by US. Small Business Administration revealed that as compared to women, men are more likely to start a business for earning money.⁷ Women, on the other hand, often start a business to maintain their work-life balance. In almost all countries of the world, women are expected to bring up children almost single-handedly and for many of them, running businesses allow them to manage both childcare and a professional life smoothly. Of course, while this is true for developed countries, the situation is different in developing countries. In developing countries, women often launch businesses for supplementing household income or reducing poverty.⁸ In general, for most women, the motive behind launching the business is personal or emotional and so, they prefer to discuss these issues, when asked about their businesses. Men, on the other hand, prefer to discuss about growth and expansion of their businesses. Also, as compared to male entrepreneurs, females are more hesitant and unsure of expanding their businesses. While men are almost always sure of expanding their businesses, females have vague ideas about the future of their ventures. The job opportunities a business can create is a crucial indicator of its growth and in this respect, female entrepreneurs lag far behind their male counterparts.

According to a report released by GEM, women almost in every region of the world run businesses without taking any employees, as opposed to men. This in turn, prevents them from creating job opportunities. The situation, however, is different in developing Europe, where 80% of female entrepreneurs take help of employees for running their businesses. Unfortunately, numbers of female entrepreneurs in this region is less, which restrict the growth of female-owned businesses.⁹

Another crucial dimension of female owned businesses is that they usually concentrate on sectors that are easy to penetrate and require low capital. Examples can include retail, restaurants, health, beauty and grooming. Unfortunately, these sectors are already overcrowded and this restricts growth potential of these businesses.¹⁰ This data also contradicts the myth that firms owned by women tend to under-perform. National Women's Business Council also echoes the same view as it states that a major portion of female-owned businesses operate in areas that bring in lower revenue on average. This in turn, limits growth and economic impact of these businesses automatically, rather than performance of the firms.¹¹

It is true that women and men function differently and so it is obvious that their approaches towards launching and running businesses will be different as well. Eradicating the differences won't be a practical solution. Rather, a more effective way of approaching the situation would be to ensure both men and women utilize their potential to the highest and learn new ways of growing, expanding their ventures and fulfill their personal as well as professional goals.

Challenges faced by Female Entrepreneurs

Every entrepreneur faces certain key challenges that range from getting finances to handling clients and completing projects within deadline. Women, however, face certain special challenges that the author intends to discuss.

Access to Finances- While it is true that every entrepreneur struggles for obtaining finances for his or her businesses, the truth is that the problem is more acute for female entrepreneurs. Cross-cultural studies and other literature studies reveal that as compared to men, female entrepreneurs use limited start-up capital for launching their businesses. The reasons why they use low start-up capital may include factors such as women often launch businesses out of necessity and they opt for business sectors that require capital.³ Also they experience greater discrimination, while obtaining loans, especially in the area of debt financing.¹² Studies also suggest that women entrepreneurs have limited business networks that prevent them from exploring alternative sources of finances.³ Irrespective of the factors that prevent female entrepreneurs from acquiring sufficient finances, the point is that women raise low capitals and in the long run, it can affect growth of the business as well as its coping ability during rough financial phases.¹²

Managing Family and Business- As stated earlier, maintaining the work-life balance is one major reason why women launch their businesses. Unfortunately, the problem persists, even for women who have been successfully running their businesses for many years. Female entrepreneurs all over the world juggle work and family and want to know how to be a great mother and the perfect CEO.¹³ For entrepreneurs who operate businesses from home, the situation is worse, as they need to handle housework and business activities simultaneously. The general mindset is that since the woman stays at home all day, it is her duty to take care of her kids and household-related activities.

Gender Pay Gap- It is a known fact that gender pay gap exists in the workplace. Surprisingly, this gap exists even in case of self employment. A study conducted by American Express OPEN states that female entrepreneurs earn \$60,000 on average, while males earn around \$78,000.¹⁴ One reason for this could be the fact that women don't measure their value monetarily-they have to juggle several roles at once and are satisfied with whatever they are earning, since this method allows them to manage home and work successfully.

Lack of Education and Necessary Experience- Many female entrepreneurs have a traditional educational background (usually in arts) and so, don't possess the skills that are required for running a business. They also have limited experience in leading

others, communicating with clients. This in turn, makes the situation problematic for them, when they launch their businesses.

¹⁵ They also don't prepare themselves as aggressively as men do and so, face difficulties while interacting with clients or closing business deals.⁸The situation turns critical if the family refuses to support.

Furthermore, women entrepreneurs also have limited access to communication tools such as Internet, TV and mobile phones. In the 21st century, accessing communication tools has become an important criterion for running a successful business.¹

Marketing- Female entrepreneurs often experience challenges, while marketing their businesses. One study revealed that 61% of female entrepreneurs in Pakistan consider marketing their businesses as a problem.¹⁶This could be because they don't possess sufficient knowledge about marketing, lack of clarity regarding future goals or because they shy away from networking with clients and other people associated with the business world.

Coping with the Challenges

As stated earlier, access to finances is one of the major problems experienced by female entrepreneurs. A practical way of dealing this problem will be to build a working capital of at least six months before launching the venture in the market. It is crucial for female entrepreneurs to ensure that there is sufficient money for running the business and meeting expenses, without incurring excessive debt. Women who don't feel confident about creating a budget on their own can consult people associated with small-scale or related businesses.¹³ Given that women in many countries don't enjoy same property rights as men and have limited access to banks accounts, the government should introduce easy collateral laws as well as credit information systems for simplifying the process of acquiring finances for women. In Sri Lanka, for example, many formal banks accept gold jewelry as security deposit for loans.²

Preparing oneself well before launching a business is crucial.¹³Though women entrepreneurs have limited access to important resources, it is essential to use whatever resources are currently available. Many self-help groups conduct training programs for women free and entrepreneurs can enroll in these programs for learning new things, updating their current knowledge and enhancing the overall quality of their lives.

Identifying the reason behind launching one's business is critical. Money, of course, is important, but it should not be the only motive behind launching a venture.¹⁷Also, launching a business because of purely emotional reasons isn't logical. The key is to identify products/services that a female entrepreneur will be able to offer to her clients. Also, it is critical to make sure that currently there is a demand for such products/services and the demand won't wane for at least 10-15 years.

Female entrepreneurs should be taught soft as well as life skills. While soft skills such as interacting with clients and negotiation skills will help them to run businesses smoothly¹, life skills such as managing time, building networking skills and enhancing self-esteem will allow them to lead a richer and fulfilling life. Female entrepreneurs can also be paired with mentors who can guide them in sharpening their networking, business skills and offer other valuable advice.¹ The mentors can also expose the entrepreneurs to critical resources that will widen their exposure and help them to grow their businesses.

Conclusion

It is true that even in the progressive, modern 21st century; female entrepreneurs have to experience various unexpected challenges. Also, as compared to male entrepreneurs, they are less sure about expanding their businesses. Irrespective of these difficulties, women entrepreneurs can leave their mark in the field of entrepreneurship. Performance, after all, has nothing to do with gender. Examples of female entrepreneurs based in different countries prove that women possess the capability, strength and intelligence to overcome any type of obstacle and establish their own powerful identity. Finally, making the society sensitive towards female entrepreneurs is important. Most female entrepreneurs struggle hard to maintain a balance between work-life and the situation becomes more challenging, if the family does not accept their activities. A positive environment at

home can boost the woman's growth at work, encourage her to explore her potentialities to the fullest and provide her with a rewarding life.

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