# GEM Report on Women and Entrepreneurship 2007

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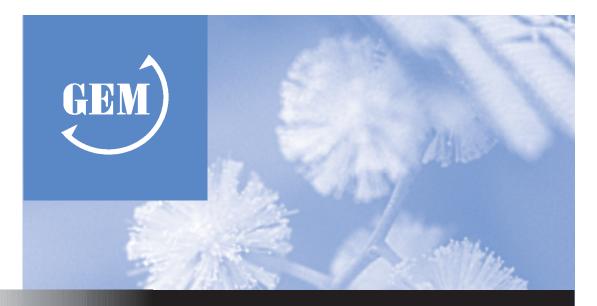
2007 Report on Women and Entrepreneurship

I. Elaine Allen • Amanda Elam • Nan Langowitz • Monica Dean





About the Cover: In 1975, March 8 was officially ratified as International Women's Day go back to the 1900s, and the celebration women's achievement of the right to vote. The yellow flower on the cover of the reports from the mimosa tree. The flower has a delightful perfume and the tree blooms in mates. It is often given to women on Women's Day and therefore has become known	n is mainly connected to ort and throughout its pages n early March in mild cli-



# GLOBAL ENTREPRENEURSHIP MONITOR

# 2007 Report on Women and Entrepreneurship

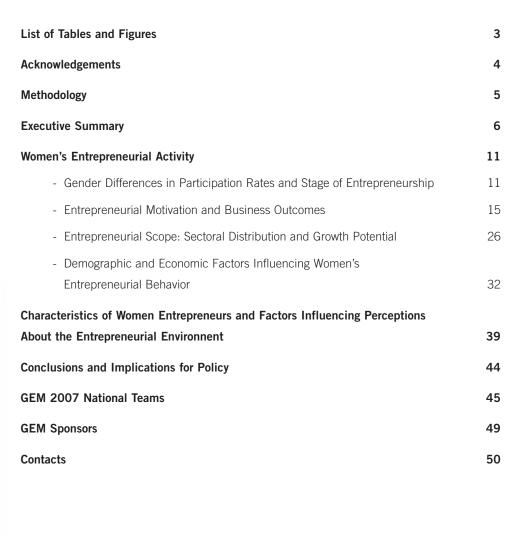
I. Elaine Allen, PhD • Amanda Elam, PhD • Nan Langowitz, DBA • Monica Dean





Although the data used are from the Global Entrepreneurship Monitor (GEM) project, the sole responsibility for the content rests with the authors of this report.

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# **ACKNOWLEDGEMENTS**

The Global Entrepreneurship Monitor (GEM) study on women's entrepreneurship is part of the overall GEM project, which focuses on measuring differences in the level of entrepreneurial activity among countries, uncovering factors leading to entrepreneurial behavior, and suggesting policies that may enhance national levels of entrepreneurial activity. GEM is a collaborative effort in terms of financial resources and intellectual advancement, as well as design and analysis.

This report makes use of data collected by 41 country teams, as follows:

### Asia and Oceania

China, Hong Kong, India, Japan, Thailand

#### Africa and the Middle East

Israel

#### **Europe**

Austria, Belgium, Croatia, Denmark, Finland, France, Greece, Hungary, Iceland, Ireland, Italy, Kazakhstan, Latvia, Netherlands, Norway, Portugal, Romania, Russia, Serbia, Slovenia, Spain, Sweden, Switzerland, Turkey, and the United Kingdom

#### **North America**

**United States** 

#### Latin America and Caribbean

Argentina, Brazil, Chile, Colombia, Dominican Republic, Peru, Puerto Rico, Uruguay, and Venezuela

We sincerely thank the members of each country team for their colleagueship and collaborative research spirit. All national team reports can be found at www.gemconsortium.org.

Of course, GEM would not be possible without the financial support and research initiative of Babson College and London Business School, its two sponsoring institutions, and we are grateful to them for their leadership and encouragement on this project.



# **METHODOLOGY**

GEM is a major research project aimed at describing and analyzing entrepreneurial processes within a wide range of countries. In particular, GEM focuses on three main objectives:

- To measure differences in the level of entrepreneurial activity between countries
- To uncover factors determining the levels of entrepreneurial activity
- To identify policies that may enhance the level of entrepreneurial activity

Since its inception in 1999, GEM's major activity has been the creation of a large data set and the construction of harmonized measures of entrepreneurial activity. The data used in this report come from the 2007 GEM adult population surveys, and from standardized cross-national data obtained from sources such as the World Bank, the International Monetary Fund, and the United Nations. The 2007 GEM adult population surveys were conducted by telephone or face to face, and were designed to yield a representative sample of the population within each country. The GEM data set for the Women's Report in 2007 includes responses from 145,248 individuals, 49.9 percent of whom were women.

The 41 GEM countries participating in the 2007 Women's Report were divided into three country groups (low/middle-income Europe and Asia, low/middle-income Latin America and Caribbean and high-income) based on their per capita gross domestic product (GDP) and GDP growth rate. The Europe and Asia low/middle-income country group is comprised of 11 countries. They are: China, Croatia, Hungary, India, Kazakhstan, Latvia, Romania, Russia, Serbia, Thailand, and Turkey. The Latin American and Caribbean low/middle-income

country group is comprised of eight countries. They are: Argentina, Brazil, Chile, Colombia, Dominican Republic, Peru, Uruguay, and Venezuela. The high-income country group is comprised of 22 countries: Austria, Belgium, Denmark, Finland, France, Greece, Hong Kong, Iceland, Ireland, Israel, Italy, Japan, Netherlands, Norway, Portugal, Puerto Rico, Slovenia, Spain, Sweden, Switzerland, United Kingdom, and United States. For each country, data are weighted by gender, age, and in some cases geographical distribution in order to adjust the sample to each population.

Detailed information on GEM data collection methodology can be found in the Global Entrepreneurship Monitor 2007 Data Assessment available through the GEM Consortium Web site at www.gemconsortium.org.



# **EXECUTIVE SUMMARY**

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 crossnational 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 1/2 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.) 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/middleincome 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 guite similar to the Latin American and Caribbean low/middleincome 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 highincome 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/middleincome countries are the locale for the highest level of women's participation in consumeroriented 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 highincome 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 (17.6 percent and 9.9 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.
- 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 percep-



# **EXECUTIVE SUMMARY**

- tions 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:

- 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.
- 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.



# WOMEN'S ENTREPRENEURIAL ACTIVITY

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 93 percent of global GDP in 2007. This 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.

# GENDER DIFFERENCES IN PARTICIPATION RATES AND STAGE OF ENTREPRENEURSHIP

Entrepreneurial activity varies significantly across countries, 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 divides countries into two low/middle-income groups and one high-income group based upon their per capita gross domestic product (GDP) and global region. On average, low/middle-income countries have modest per capita income and faster-growing economies compared to high-income countries. The GDP in the low/middle-income countries averages \$10,407 U.S., and the average level of GDP growth is between 5 and 6 percent. Eleven countries comprise the Europe and Asia low/middle-income country group. They are China, Croatia, Hungary, India, Kazakhstan, Latvia, Romania, Russia, Serbia, Thailand, and Turkey. The Latin American and

Caribbean low/middle-income country group includes eight countries. They are Argentina, Brazil, Chile, Colombia, Dominican Republic, Peru, Uruguay, and Venezuela. The high-income country group contains the G7/8 countries and most member states of the European Union and North America. The GDP for this group averages close to \$35,000 U.S. and has an average growth rate between 3 and 4 percent. The high-income country group is comprised of 22 countries: Austria, Belgium, Denmark, Finland, France, Greece, Hong Kong, Iceland, Ireland, Israel, Italy, Japan, Netherlands, Norway, Portugal, Puerto Rico, Slovenia, Spain, Sweden, Switzerland, United Kingdom, and United States.

Regardless of gender, entrepreneurial activity is significantly higher in both the low/middle-income country groups than in the high-income countries. And, entrepreneurial activity is significantly higher in the low/middle-income Latin American and Caribbean group (21.0 percent) than either the low/middle-income European and Asian group (12.2 percent) or the high income group (7.9 percent). Nonetheless, a gender gap is apparent in the participation rates of men and women, in all three country groups. The gender gap is more pronounced in high-income countries than in either of the low/ middle-income groups, but also is considerably higher, with smaller gender differences, in the Latin American and Caribbean country group. These differences may be explained in part by the differences in choices for women across these country groups, in which labor markets, institutional structures, and cultural norms provide a varying array of incentives to women's entrepreneurial activity. Overall, men are more likely to be involved in entrepreneurial activity than women, but there are some interesting exceptions. In Japan, Brazil, Peru, and Thailand the entrepreneurial activities of women equal or exceed those of men. Nonetheless. when aggregated, all three country groups show a significant gender gap. These entrepreneurship activity rates are listed by country in Table 1.

Entrepreneurial behavior can be characterized



# WOMEN'S ENTREPRENEURIAL ACTIVITY

Table 1. Prevalence Rates of Entrepreneurial Activity Across Countries by Gender 2007

	Early Stage Entrepreneurial Activity (Nascent + New)			Established Business Owners		Overall Business Owners (Nascent + New + Established)	
	Male	Female	Male	Female	Male	Female	
Argentina	17.52%	11.34%	15.78%	4.16%	33.30%	15.50%	
Austria	3.06%	1.84%	7.25%	4.78%	10.31%	6.61%	
Belgium	4.30%	1.98%	1.86%	0.93%	6.16%	2.91%	
Brazil	12.73%	12.71%	12.70%	7.24%	25.43%	19.95%	
Chile	16.45%	10.43%	11.89%	5.59%	28.33%	16.02%	
China	19.27%	13.43%	9.66%	7.04%	28.93%	20.47%	
Colombia	26.91%	18.77%	15.49%	7.84%	42.41%	26.60%	
Croatia	9.44%	5.13%	5.79%	2.67%	15.23%	7.80%	
Denmark	6.21%	4.56%	8.54%	3.43%	14.75%	8.00%	
Dominican Republic	18.91%	14.50%	8.96%	6.12%	27.88%	20.62%	
Finland	8.96%	4.81%	10.31%	4.80%	19.27%	9.60%	
France	4.14%	2.21%	2.52%	0.95%	6.66%	3.16%	
Greece	7.96%	3.46%	14.59%	12.04%	22.56%	15.51%	
Hong Kong	14.33%	5.82%	7.51%	3.75%	21.84%	9.56%	
Hungary	9.29%	4.52%	5.88%	3.81%	15.17%	8.33%	
Iceland	17.40%	7.44%	13.43%	3.98%	30.83%	11.42%	
India	9.51%	7.49%	8.69%	2.18%	18.21%	9.66%	
Ireland	10.57%	5.87%	12.66%	5.38%	23.22%	11.25%	
Israel	7.12%	3.75%	3.61%	1.10%	10.72%	4.84%	
Italy	6.69%	3.30%	8.87%	2.17%	15.56%	5.48%	
Japan	3.47%	5.22%	8.72%	8.57%	12.20%	13.79%	
Kazakhstan	11.17%	7.64%	6.80%	4.80%	17.97%	12.44%	
Latvia	7.70%	1.41%	4.90%	2.02%	12.60%	3.43%	
Netherlands	6.64%	3.70%	8.59%	4.07%	15.24%	7.77%	
Norway	8.59%	4.28%	8.20%	3.50%	16.79%	7.78%	
Peru	25.74%	26.06%	18.07%	12.40%	43.80%	38.46%	
Portugal	11.70%	5.92%	9.79%	4.44%	21.49%	10.36%	
Puerto Rico	3.16%	2.97%	4.05%	0.89%	7.21%	3.87%	
Romania	4.95%	3.09%	3.34%	1.70%	8.30%	4.79%	
Russia	3.79%	1.64%	1.63%	1.73%	5.41%	3.37%	
Serbia	12.11%	5.06%	7.74%	2.83%	19.85%	7.88%	
Slovenia	6.84%	2.68%	6.84%	2.31%	13.69%	4.99%	
Spain	9.75%	5.48%	8.17%	4.57%	17.92%	10.06%	
Sweden	5.78%	2.47%	6.87%	2.48%	12.65%	4.95%	
Switzerland	7.59%	4.92%	8.56%	4.60%	16.15%	9.52%	
Thailand	27.78%	25.95%	23.22%	19.47%	51.00%	45.42%	
Turkey	8.65%	2.41%	9.47%	1.32%	18.12%	3.73%	
United Kingdom	7.41%	3.60%	7.59%	2.55%	15.00%	6.15%	
United States	11.98%	7.25%	6.47%	3.48%	18.45%	10.73%	
Uruguay	17.33%	7.19%	8.63%	4.54%	25.96%	11.73%	
Venezuela	23.50%	16.81%	5.87%	4.90%	29.37%	21.71%	



depending upon the stage of venture activity. GEM distinguishes two broad 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 1/2 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.

Across the 41 GEM countries participating in this study, low/middle-income countries such as Peru, Thailand, Colombia, and Venezuela exhibited the highest women's early stage entrepreneurial activity prevalence rates (26.2, 26.0, 18.8 and 16.8 percent respectively) followed closely by the Dominican Republic, China, Chile, and Brazil. Latvia and Russia, both European low/middle-income countries exhibited the lowest rates (1.4 and 1.6 percent, respectively) followed by Austria and Belgium, both high-income countries. The situation is similar when women's established business ownership is considered. In this case, the high-income countries of Puerto Rico, Belgium, and France exhibit the lowest rates (0.89, 0.93, and 0.95 percent respectively), and both the low/middle-income and high-income countries of Thailand, Portugal, and Greece exhibit the highest rates (23.2, 12.4, and 12.0 percent respectively). When established business ownership or overall business ownership is considered, there is no country in which the female ownership rate exceeds that of their male counterparts.

Examination of entrepreneurial behavior around the globe also yields a clear picture of a gender gap by stage of entrepreneurial activity. 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 2007, only in Japan and Peru are women more active in starting a business than men. Table 2 shows that, in the highincome group, men are almost twice as likely to be early stage entrepreneurs as women, and more than twice as likely to be established business owners as women. 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 higherincome countries the gender gap for established business owners in these country groups is 44.3 percent and 52.3 percent, respectively, which are guite 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 that may have the most impact on early stage entrepreneurship with respect to gender.

Table 2 also shows that there is an important difference between early stage and established entrepreneurial activity among women. While the low/middle-income groups both exhibit significantly higher rates of early stage entrepreneurial activity than established business ownership activity, the



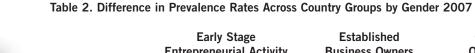
# Women's Entrepreneurial Activity

group of high-income countries show less than 1 percent difference in the prevalence rate of women across these two business stages.

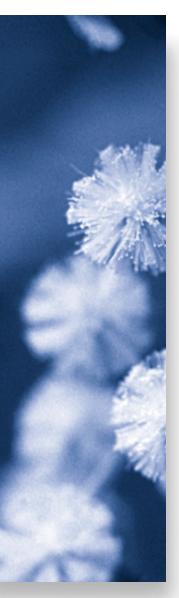
High-income countries also show a greater overall likelihood that early stage entrepreneurs will become established entrepreneurs compared with both low/middle-income country groups. Whereas in high-income countries there is no gender difference

in the survival rate of women's businesses versus those of men, in both of the low/middle-income country groups a gender difference is apparent and the likelihood of business survival beyond 42 months is lower for women than for men.

Overall Business



	Entrepreneur (Nascent	ial Activity	Business C		Owners (Nas New + Estab	scent +
	Male	Female	Male	Female	Male	Female
Low/Middle-Income Countries Europe/Asia	11.70%	7.62%	8.19%	4.62%	19.89%	12.24%
Low/Middle-Income Countries Latin America/ Caribbean	19.55%	14.40%	12.21%	6.57%	31.76%	20.97%
High-Income Countries	8.17%	4.34%	7.91%	3.57%	16.08%	7.91%
Significant difference between country clusters	p < 0.0001	p < 0.0001	p < 0.0001	p < 0.0001	p < 0.0001	p < 0.0001

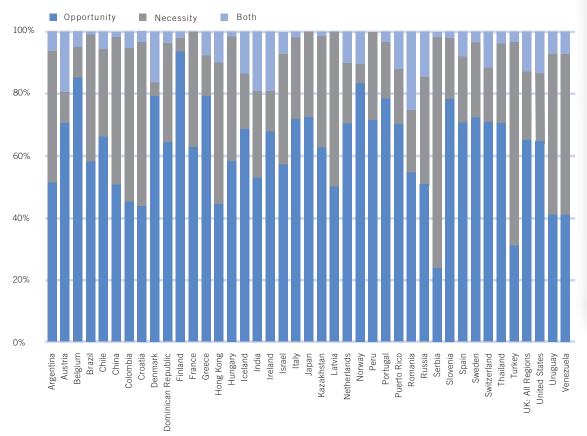


# ENTREPRENEURIAL MOTIVATION AND BUSINESS OUTCOMES

The GEM survey allows us to differentiate the motives underlying 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. More than 95 percent of all respondents to the global GEM survey in the past three years are involved in entrepreneurial activities for two primary reasons: opportunity or necessity. Prevalence rates of entrepreneurship vary

significantly by motivation between the low/middle-income country groups and high-income countries. That is, opportunity and necessity motivations influence entrepreneurs differently across country groups. Opportunity is the dominant motivation for most entrepreneurs regardless of gender across all GEM countries with the exception of Croatia, Hong Kong, Serbia, Turkey, and Uruguay where it is close to 50 percent for women entrepreneurs. Figure 1 shows the distribution of opportunity and necessity early stage female entrepreneurship for each country in our sample. It also shows that, in many countries, women may be nearly equally likely to be necessity or opportunity entrepreneurs.

Figure 1. Women's Entrepreneurial Motivation by Country 2007



# WHY DOES FEMALE LEADERSHIP IN FINLAND SEEM TO CONTRIBUTE TO A **COMPANY'S BOTTOM LINE?**

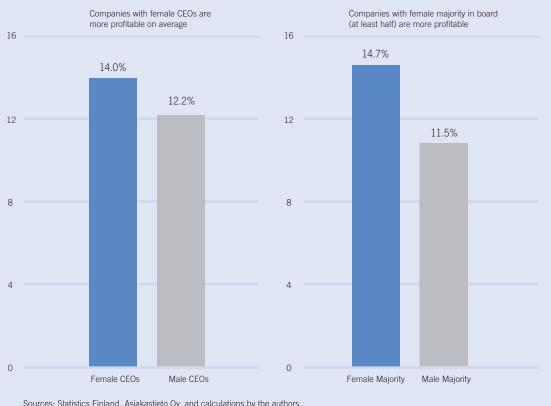
Abridged and excerpted from A Study from Finland: Female Leadership and Firm Profitability by Annu Kotiranta, Anne Kovalainen, and Petri Rouvinen

Despite a gain in attention during the past two decades, women's entrepreneurship still does not receive much serious attention in debates concerning the link between entrepreneurship and economic growth. The reason, in part, is the lack of research linking women's business leadership to profitability. This Finnish study offers strong evidence that female corporate leadership and female representation on corporate boards are significantly positively linked to several measures of firm profitability. The results indicate that a company led by

a female CEO is, on average, slightly more than a percentage point—in practice about 10 percent more profitable than a corresponding company led by a male CEO. This observation holds even after taking into account size differences and a number other factors possibly affecting profitability. The share of female board members also has a similar positive impact. These findings are significant and important not only from a statistical and research perspective but also from a business standpoint.

The findings suggest that a firm may gain a competitive advantage over its peers by identifying and eliminating the obstacles to women's advancement to top management. While there is, on average, a positive correlation with female leadership and profitability, a too straightforward and wrong conclusion

Figure A1. Profitability Differences Between Companies Led by Women and Men (adjusted return on assets; limited companies employing at least 10 persons and operating in Finland in 2003)





would be that the current male leaders should be replaced by women and that this would improve firms' profitability. The focus should rather be on the numerous and often difficult-to-observe mechanisms and networks that favor men or hinder women from climbing the executive ladder. Genderneutral career opportunities are—besides being "fair"—also in the best interest of companies.

The target population, compiled by Statistics Finland, comprises of Finnish limited companies employing at least 10 persons in 2003. The employed sample covers 91 percent of the target population. The sample is even internationally the most extensive and representative firm-level data used in gender research.

Of the sample businesses, 7.6 percent have a female CEO and 7.1 percent have a female chairman of the board. On average, 22.3 percent of the board members are female. Because the gender of the board's chairman does not, according to our empirical analysis, have a significant effect, this study will focus on female CEOs and on the share of women on corporate boards. Several indicators of business profitability were examined in this study: return on assets (the primary indicator), return on investments, and the operating margin.

# Is female leadership correlated with financial success?

The findings suggest that this is indeed the case. A simple comparison of respective (unconditional) means reveals that businesses managed by women and men are different in several respects (see Fig. A1):

The average profitability of firms in the sample is 12.3 percent. The average profitability of firms with a female CEO is 14.0 percent. The difference (1.8 percentage points) with a male CEOs firms' average of 12.2 percent is statistically very significant (1 percent level).

The average profitability of companies having at

least half of female board members is 14.7 percent. The difference (3.1 percentage points) with respect to other firms' 11.5 percent is statistically very significant (1 percent level).

Thus, when comparing direct (unconditional) means, firms led by women are 2–3 percentage points—from slightly more than 10 to well more than 20 percen—more profitable than businesses led by men. This in itself is not, however, a solid basis for drawing conclusions, as firms led by men and women also differ in several other respects:

In all of the examined dimensions, firms with female leadership have less export activity, they are less likely to be a part of a business group, and they are less capital-intensive. Statistically significant differences are observed in a number of other variables; although, their directions vary according to the leadership dimension considered. The findings show that female leadership and a firm's profitability have a positive correlation that is not explained by observable firm-specific and sector-specific factors.

In order to isolate the effect of female leadership, a multidimensional regression analysis was employed to control for other factors possibly affecting firm profitability. After controlling for the other factors, the positive conditional correlation between female leadership and profitability is expectedly somewhat weaker than the unconditional one (see Fig. A2). It nevertheless remains positive as well as statistically and qualitatively significant:

A firm with a female CEO is slightly more than a percentage point—in practice about 10 percent—more profitable than an otherwise similar firm with a male CEO.

The effect of the share of female board members is similar; a firm with a gender-balanced board is on average about 10 percent more profitable than a similar firm with an all-male board.

Examining female CEOs and female board member shares within the same model shows that they have their own independent effects on profitability. It



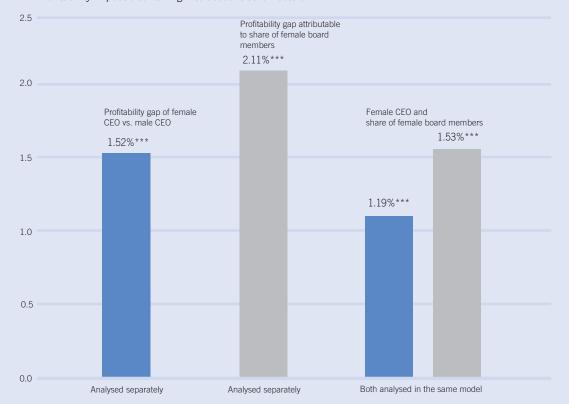
# Women's Entrepreneurial Activity

Finland continued

Figure A2. "Pure" Impact of Female Leadership on Firm Profitability

(limited liability companies employing at least 10 persons and operating in Finland in 2003)

Profitability impact after taking into account other factors:



Sources: Statistics Finland, Asiakastieto Oy, and calculations by the authors.

\*\*\* Statistically extremely significant (1% level).

\*\*\* Statistically very significant (5% level).

Interpretation of board share coefficients: completely female vs. male board.

should be emphasized, however, that what was uncovered is indeed a correlation; it is not a causal relationship from female leadership to firm profitability or vice versa. Due to data limitations, we also are forced to be somewhat vague on the individual- and (unobserved) firm-specific factors that might drive these findings. These issues are among the most important avenues for further research.

### Releasing women from the aquarium

The observed positive and statistically significant correlation between female leadership and profitability is an interesting and important finding for both the research and business communities. Unfortunately, we cannot shed light on causal rela-

tionships underlying our findings. Data permitting, one should consider a wide range of personal and sociocultural factors. Even so, several conclusions can be drawn.

The possible explanations for the correlation fall into one or more of the following four categories:

- 1. Generally speaking women may be better leaders than men (adjusted for the executive compensations of the respective groups).
- 2. Upon advancing toward top management, women may be faced with more harsh selection (due to, e.g., sex discrimination) making them a more exclusive and thus on average better group as compared to men in



- top management.
- Women may seek management positions in, or may be selected to lead, more profitable businesses.
- Both female leadership and profitability could be connected to some third (unobserved) factor.

In the case of the two first categories above, women cause better business performance via their qualities and actions. In the third category, the causality runs from better performance to female leadership; in case of the fourth category, unobserved factor(s) mislead research efforts.

# Does some third factor account for both female leadership and firm profitability?

Unobserved factors of female leaders and their firms, in part, explain the observed correlation. As discussed in prior literature, female leadership might be more broadly connected to the cultural diversity and multidimensionality of a business. Indeed, our further (preliminary) analysis suggests that corporate boards with a balanced gender composition might have the highest correlation with a firm's profitability.

The connection between a firm's multidimensionality and its profitability is a complex one: it seems likely that only a sufficiently tolerant and flexible organization is able to use the competitive advantage brought about by multidimensionality. If an organization is rigid, it is unable to question old ideas and welcome new ones stemming from heterogeneity.

Female leadership may be connected to good corporate governance and management practices. Observing women also at the top of the corporate hierarchy may indicate that advancement and appointments in these organizations are based on competence and merits, not on traditions and established conventions. Furthermore, it seems only

logical that the compositions of top management and corporate boards should reflect the diversity in firms' employment and customer bases in terms of gender.

It may be that several factors, from so-called natural differences in values and preferences of men and women all the way to educational segregation, lead to some sort of—although certainly smaller than at present—gender imbalance in business leadership. If this is indeed the case, the ultimate objective should depart from a perfect gender balance.

### Women to the top!

Business decisions do not respect the logic of democracy or altruistic striving for gender equality. Business owners and those representing their interests are of course concerned about the matter in the name of corporate social responsibility. Gender equality might be listed among the corporate values, but ultimately only its connection to financial success ensures their interest.

The findings reveal a positive and significant correlation between female leadership and firm profitability. Even if they do not prove causality, the findings have several important implications, suggesting that a firm may gain a competitive advantage over its peers by identifying and eliminating the obstacles to women's advancement to top management. Gender-neutral career opportunities are—besides being "fair"—also in the best interest of companies.



# Women's Entrepreneurial Activity

Table 3. Ratio of Opportunity to Necessity Early Stage Entrepreneurship by Country and Gender

	Male Opportunity to Necessity Ratio	Female Opportunity to Necessity Ratio	Female Opportunity to Necessity Ranking
Serbia	1.45	0.32	1
Turkey	1.39	0.46	2
Croatia	2.04	0.77	3
Uruguay	2.53	0.77	4
Colombia	1.73	0.91	5
Hong Kong	2.59	0.94	6
Latvia	5.64	1.02	7
China	1.57	1.11	8
Argentina	2.00	1.24	9
Brazil	2.00	1.50	10
Russia	4.66	1.54	11
Hungary	3.07	1.57	12
Venezuela	2.63	1.60	13
France	2.63	1.62	14
Israel	3.36	1.66	15
Kazakhstan	2.96	1.83	16
India	2.09	1.84	17
Dominican Republic	2.85	1.84	18
Chile	5.13	2.34	19
Peru	2.86	2.45	20
Thailand	2.30	2.53	21
Romania	5.00	2.63	22
Japan	1.50	2.83	23
UK: All Regions	6.09	2.90	24
Sweden	6.00 5.33	2.93 2.96	25 26
Italy Spain	5.25	2.96	26 27
Spain Unted States	5.25 4.82	3.01	28
Switzerland	4.82 5.34	3.30	29
Puerto Rico	3.66	3.36	30
Finland	8.11	3.64	31
Slovenia	10.44	3.83	32
Netherlands	6.30	3.88	33
Iceland	9.92	4.04	34
Portugal	10.10	4.90	35
Greece	12.80	5.38	36
Ireland	11.71	5.99	37
Austria	12.00	6.84	38
Belgium	19.00	9.14	39
Norway	29.00	12.91	40
Denmark	28.00	17.69	41



Table 3 shows the ratio of opportunity to necessity driven early stage entrepreneurship for women for all countries in our sample and the corresponding country rank for this ratio. The higher the ratio, the more that women in a particular country are

motivated by the desire to take advantage of a recognized opportunity, as opposed to being driven by nonexistent or unsatisfactory alternative employment options. Denmark and Norway exhibit the highest relative rates of opportunity motivation for

women's early stage entrepreneurship, with opportunity to necessity motivation ratios of 17.69 and 12.91 respectively. At the other end of the ranking, we find Serbia and Turkey exhibiting the highest relative level of necessity motivated early stage entrepreneurship for women, with ratios of 0.32 and 0.46 respectively. Overall, early stage women entrepreneurs in the higher income countries are more likely to be driven by opportunity in venture creation, with the exception of Hong Kong, than the early stage women entrepreneurs in low/middle-income countries.

Table 4 confirms that the ratio of opportunity to necessity-driven motives for starting a business are generally more favorable for women in high-income countries than in low/middle-income countries.

Only the Latin American and Caribbean low/middle-

income country group exhibits a significant difference in this ratio by gender (p < 0.05), whereas neither the European and Asian low/middle-income country group nor the high-income country group do. Further, there are significant differences (p < 0.05) with respect to the female opportunity to necessity ratio among all three country groups but males exhibit a different pattern. The opportunity to necessity ratio for men shows no statistically significant difference between the two low/middleincome country groups but does show a significant difference between each of the two low/middleincome country groups and the high-income group. In other words, the impact of country income and the context of region and culture may be more nuanced with respect to the motivations of women entrepreneurs than it is for men.

Table 4. Country Group Differences in Opportunity to Necessity Early Stage Entrepreneurship by Gender

	Male Opportunity Entrepreneurship	Female Opportunity Entrepreneurship	Male Necessity Entrepreneurship	Female Necessity Entrepreneurship
Low/Middle-Income Countries Europe and Asia	7.35%	4.35%	4.50%	2.22%
Low/Middle-Income Countries Latin America and Caribbean	12.38%	7.51%	7.51%	5.33%
High-Income Countries	6.85%	3.56%	1.18%	0.83%
	Male Opportunity to Necessity Ratio	Female Opportunity to Necessity Ratio		
Low/Middle-Income Countries Europe and Asia				
Countries	to Necessity Ratio	to Necessity Ratio		



# WOMEN ENTREPRENEURS IN IRELAND: NARROWING THE GENDER GAP<sup>1</sup>

### **GEM Pinpoints the Gender Gap**

Since the first Irish GEM reports, the authors have been indicating that women in Ireland were under represented in the population of business owners both in established businesses and in those more recently started, relative to their numbers in the population as a whole.

While GEM research indicates that in almost all countries men are more involved in planning and starting new businesses, GEM research in Ireland indicated that a wider gender gap existed in this area than was common in many countries, particularly the more entrepreneurial of the developed countries.

# **Policy Spotlight on Women Entrepreneurs**

From the evidence provided by GEM, it was apparent that if more women were to be involved in early stage entrepreneurship, the rate at which people in Ireland would be setting up new businesses could begin to rival the more entrepreneurial of the developed countries, such as the United States.

Accordingly, drawing on the research in this area provided by GEM, the national policy spotlight turned very clearly on women entrepreneurs in the last few years. The NDP Gender Equality Unit<sup>2</sup> of the Department of Justice, Equality and Law Reform, for example, was the first to act on the findings of GEM and highlighted the need to pursue

gender equality in enterprise development and research. To this end, the Unit through its advisory and monitoring functions used its influence to raise the issue across Government Departments, development agencies and other influencers. For example, in a practical manner, it obtained agreement that the enterprise agencies would report on their support to entrepreneurs in a gender disaggregated manner. This has kept the issue of gender equality to the fore.

Forfás³ in its background report to a national entrepreneurship policy⁴ followed the lead of the Small Business Forum⁵ and highlighted the fact that women represented a relatively untapped and underdeveloped source of entrepreneurship in Ireland.⁶ The report, having analysed the situation in depth, made a series of recommendations as to how this situation could be improved.

Additionally, the media frequently turned the spotlight on women entrepreneurs in both news and feature items, and a significant number of conferences for women entrepreneurs were held on a regional and national basis, culminating in National Women's Enterprise Day in November 2007.<sup>7</sup> The County Enterprise Boards also continued to be very active in this area. They report, for example, that membership of their enterprising women networks has now reached almost 6,000, having doubled in just one year.<sup>8</sup>

<sup>8</sup> Section 5 of the Forfás states that membership reached 5,795 in 2006 compared to 2,820 just one year previously



<sup>&</sup>lt;sup>1</sup> For readers who wish to know about men and women entrepreneurs in Ireland, the Irish national report will cover this topic in more detail. The report will be available from April and may be viewed on the GEM Web site following publication www.gemconsortium.org

<sup>&</sup>lt;sup>2</sup> The NDP Gender Equality Unit was established to support and advise on the promotion of equality between men and women in measures funded under the 2000–2006 National Development Plan. The unit assisted policy makers to incorporate a gender equality perspective in the development, implementation and evaluation of NDP policies, so that they responded to the needs of both men and women. The Unit is now reconfigured as the Central Gender Mainstreaming Unit, within the Gender Equality Division of the Department of Justice, Equality and Law Reform. The NDP Gender Equality Unit, and more recently the Central Mainstreaming Unit, within the Department of Justice, Equality and Law Reform, continues to support GEM and the publication of profiles, and a chapter dedicated to examining entrepreneurship in terms of gender in the national report.

<sup>&</sup>lt;sup>3</sup> Established in 1994, Forfás is the national policy and advisory board for enterprise, trade, science, technology, and innovation.

<sup>&</sup>lt;sup>4</sup>Toward Developing an Entrepreneurship Policy for Ireland, Section 5: "Encouraging Entrepreneurial Activity among Under Represented Groups," Forfás, September 2007

<sup>&</sup>lt;sup>5</sup> "Small Business is Big Business," The Report of the Small Business Forum, Section 5.6.1, May 2006

<sup>&</sup>lt;sup>6</sup> The other groups identified by the report as having untapped entrepreneurial potential were immigrants and the wider Irish Diaspora.

<sup>&</sup>lt;sup>7</sup> This event also was sponsored by the NDP Gender Equality Unit

Table A1. Women Early Stage Entrepreneurs 2003-2007

Year	Women Nascent Entrepreneurs	Women New Firm Entrepreneurs	Women Total Early Stage Entrepreneurial Activity	
2007	2.8%	3.3%	5.9%	
2006	2.7%	1.5%	4.2%	
2005	3.0%	2.7%	5.5%	
2004	3.4%	1.9%	5.0%	
2003	2.5%	1.5%	3.7%	
Average 2003–2007	2.8%	2.2%	4.9%	

Table A2. Women Early Stage Entrepreneurs 2006 and 2007

Country	Women Early Stage Entrepreneurial Activity 2006	Women Early Stage Entrepreneurial Activity 2007
Ireland	4.2%	5.9%
United States	7.4%	7.3%
Average across the OEC	CD 4.3%	4.3%
Average across the EU	3.5%	3.6%

# More Women Entrepreneurs in 2007

Given this context, it is encouraging that GEM can report that in 2007 there was a stepped increase in the number of women involved as early stage entrepreneurs (5.9 percent), up from 4.2 percent in 2006. Moreover, the 2007 rate of early stage entrepreneurial activity among women in Ireland shows a definite increase of the average rate for the previous five years (4.9 percent). (See Table A1)

Interestingly, the increase in early stage entrepreneurial activity among women in Ireland in 2007 was related to the number of women who had actually set up new businesses (new firm entrepreneurs). The proportion of women who had recently set up new businesses was at the highest level recorded in the previous 5 years, while the proportion of women who were nascent entrepreneurs remained at broadly the same level during that time. (Table A2)

The welcome increase in the level of early stage entrepreneurial activity among women in Ireland has improved the country's relative position within the OECD and across the EU countries, as these averages have not changed since 2006. While Irish women are still lagging behind women in the United States in terms of their being early stage entrepreneurs (7.3 percent), the gap is narrowing. (Table A3)

In 2007, with the increase in the proportion of women active as early stage entrepreneurs, and with no real increase recorded in the number of men entrepreneurs, the most significant narrowing in the gender gap between women and men entrepreneurs since 2003 is evident. (Table A3)

The narrowing of the gender gap that is apparent among early stage women entrepreneurs also is a marked improved on the situation with regard to longer established entrepreneurs. For those that are



# WOMEN'S ENTREPRENEURIAL ACTIVITY

Ireland continued

Table A3. Ireland's Early Stage Entrepreneurial Activity by Gender 2003-2007

Year	Early Stage Entrepreneurial Activity	Men Early Stage Entrepreneurial Activity	Women Early Stage Entrepreneurial Activity	Rates as ratio (Men/Women) <sup>9</sup>	Women TEA rate as % of men TEA rate
2007	8.2%	10.6%	5.9%	1.8	56%
2006	7.4%	10.5%	4.2%	2.5	40%
2005	9.8%	14.2%	5.5%	2.6	39%
2004	7.7%	10.4%	5.0%	2.1	48%
2003	8.1%	12.5%	3.7%	3.4	30%

Table A4. The Growth Expectations of Men and Women Entrepreneurs

Growth Expectations (Jobs in five years)	Men Entrepreneurs	Women Entrepreneurs
No Jobs	19%	27%
1 to 5 jobs	41%	42%
6 to 19 jobs	24%	23%
20 or more jobs	16%	8%
	100%	100%

owner managers of businesses that they set up before 2003, there are almost two and a half times (2.4) as many men as there are women. This puts the current ratio of 1.8 for early stage entrepreneurs in perspective.

The narrowing of the ratio between men and women early stage entrepreneurs in Ireland in 2007 has significantly improved Ireland's ranking in terms of gender balance compared to other developed countries.

A word of caution must be sounded, however. The stepped improvement in the number of women starting new businesses in Ireland in 2007 and the narrowing of the gender gap, relates to 2007 only. Will this rate be sustained or further increased in

2008? GEM will continue to monitor and report on these changes as they happen year on year.

### The Growth Challenge

Now that more women in Ireland are staring new businesses the next policy challenge is that related to growth.

The majority of men and women entrepreneurs expect to become employers and owner managers of microbusinesses. Their expectations in terms of the number that they expect to employ within a five-year period are broadly similar. The differences are most evident at the margins: among those who do not expect to become an employer and those who have very high growth aspirations. More women

<sup>&</sup>lt;sup>10</sup> Details of the initiative may be obtained from its national director, Paula Fitzsimons, paula@fitzsimons-consulting.com.



<sup>&</sup>lt;sup>9</sup> The number of times a man is more likely to be an early stage entrepreneur relative to a women.

(27 percent) than men (19 percent) are starting a new business primarily to create a job for themselves and do not expect to become employers. At the other extreme, while it is the exception for both men and women entrepreneurs to expect to employ more than 20 during a five year period, more men (16 percent) than women (8 percent) entrepreneurs have such high growth aspirations (Table A4).

As fewer women entrepreneurs have high growth expectations, the challenge is (i) to facilitate and enable those with such growth ambitions to grow and (ii) to encourage more women to have the aspiration to build significant businesses. It is for this reason that a pilot initiative for women entrepreneurs called Going for Growth was developed in 2007. This initiative is aimed at women who have the ambition and the determination to grow their business. Its design and development was supported by the NDP Gender Equality Unit and Enterprise Ireland is supporting its implementation.<sup>10</sup>

Recently, this pilot initiative has gotten under way, and the initial indications coming from the participants are very positive. Going for Growth roundtables have been set up in eight locations around Ireland. They are centred on eight lead women entrepreneurs. These successful women entrepreneurs are giving their time voluntarily to support other women entrepreneurs to fulfil their growth ambitions.

One of the lead entrepreneurs is Mary Ann O'Brien, the 2007 *Image* Business Women of the Year. Mary Ann is the founder and managing director of Lily O'Briens Chocolates. Founded in 1992 and called after her eldest daughter, Lily, the company which was started in Mary Ann's kitchen has grown into an internationally recognised brand, with a turnover of more than 21 million. "Being a woman is not a barrier to growing a business," according to Mary Ann O'Brien, "lack of self belief can be." Mary Ann believes that women must have the confidence not to limit their entrepreneurial ambition but to aspire to build world-class businesses.



# WOMEN'S ENTREPRENEURIAL ACTIVITY

# ENTREPRENEURIAL SCOPE: SECTORAL DISTRIBUTION AND GROWTH POTENTIAL

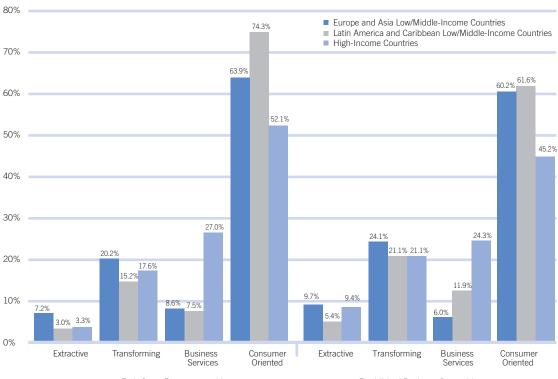
The focus and potential of women's entrepreneurial activity is guite varied worldwide. The scope of entrepreneurial activity may be understood by looking at industry sector and growth potential characterized by the use of technology and level of competition. Women's businesses exhibit many similar patterns to those of men but some differences are apparent. Entrepreneurs can contribute toward economic development through their choice of products and services offered and the uniqueness of that offering in the marketplace. In some contexts, this means that entrepreneurs have the opportunity to be important agents of innovation. GEM asks entrepreneurs and business owners how they evaluate the newness of their product or service, the competition they face, and the novelty of their product or service technology. These answers represent an individual entrepreneur's perceptions of her or his own situation, and as such are inevitably context-specific and vary greatly among and between countries.

GEM uses the International Standard Industry

Codes (ISIC) to analyze the sectors in which entrepreneurial activity and business ownership take place. 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. Consistent with the pattern for all entrepreneurs, Figure 2 shows that the largest share of women entrepreneurs are active in consumer-oriented activities, while extractive activities exhibit the smallest share. 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, transforming, and business services sectors (52.1 percent).



Figure 2. Sectoral Distribution of Female Entrepreneurship by Country Group and Business Stage



Established Business Ownership

# ECONOMIC AND SOCIAL ROLES FOR FEMALE ENTREPRENEURSHIP IN LATVIA

Excerpted from *Women and Entrepreneurship in Latvia* by Friederike Welter and Susanne Kolb. 2006. TeliaSonera Institute Discussion Paper No. 4. Stockholm School of Economics in Riga.

Entrepreneurship plays an important role in modernizing and transforming economies and societies [Smallbone and Welter (2001)]. Entrepreneurship is generally said to contribute to innovation. New enterprises also create employment, if only for the individual entrepreneur at the start, thus adding to income and family welfare. For women, becoming an entrepreneur was often one of the few possibilities left to them to earn an income after socialism collapsed, as they were the first to be fired and the last to be rehired in the transition toward a market economy. Transformation to market economies deprived a majority of women in the former Soviet states of their paid jobs and of most social security provided under socialism [e.g., Degtjar (2000), Hübner et al. (1993), Moghadam (1992), Lokar (2000)]. This often had the effect of reinforcing the traditional gender relations that persisted even during Soviet times, despite an ideological commitment to promoting female emancipation through their labour participation [Kerblay, (1977)].

In Western economies, self-employment and small business ownership appear as one means for women to gain greater economic and social independence, enabling them to combine family and work. However, even in mature market economies the level of female entrepreneurship typically falls considerably below that of the male population [Carter (2000)]. In a transition context, it would appear that starting and running an own business or becoming self-employed might be the only possibility left for women to overcome increasing discrimination on the labour market during the transition period and to alleviate poverty [Moghadam (1992)]. In this context, female entrepreneurship is important

for countries such as Latvia, not only as a solution to unemployment, but also in order to take advantage of the potential contribution by female entrepreneurs to economic and social transition. Businesses owned and operated by women are typically smaller than those of their male counterparts, tending to dominate in sectors with low barriers for entry in terms of human and financial capital, but high turnover rates, leaving them potentially more vulnerable. This might be aggravated in an uncertain or even hostile business environment where the institutional infrastructure remains poor.

With regard to the economic role of female entrepreneurs, several research studies [see for example the country studies on the former East Germany, Khyrgyztan, Lithuania, Moldova, Ukraine, Uzbekistan in Welter et al. 2006a; also Welter et al. (2005)] show that some have contributed to transition and economic development through setting up activities new to the economy, and manufacturing goods as a substitute for imports. Moreover, they provide employment and earning possibilities both for themselves and for others, which promotes social inclusion. All this contributes to regeneration of the national economy. Additionally, female entrepreneurship has fostered social change and alleviated some of the negative effects of transformation by offering positive role models and enhancing the image of female entrepreneurship as such.

With regard to the social roles of female entrepreneurs, their main contribution consists of creating job opportunities. Typically, female entrepreneurs are more likely to employ women, thus providing jobs not only for themselves but for other women, so helping to reduce the effect of discrimination against women in the labour market. In addition, reducing female unemployment assists in the fight against trafficking of women, which is known as one of the most urgent issues in the Ukraine [Isakova et al. (2006)] and Moldova [Aculai et al. (2006)].



# WOMEN'S ENTREPRENEURIAL ACTIVITY

Latvia continued

Moreover, for Moldova female entrepreneurship plays a role in reducing emigration among the younger workforce [Aculai et al. (2006)]. Finally, female entrepreneurs serve as role models for younger generations, demonstrating new employment [(self-employment) opportunities (e.g., in Uzbekistan as discussed in Welter et al. (2006b)].

### Factors influencing Female Entrepreneurship

Institutional and legal contexts play an important role in female entrepreneurship, influencing its nature and extent as well as its potential economic contribution [Aidis et al. (2006) and Welter et al. (2002)]. Whilst gender equality is formally inscribed in most constitutions, its application throughout the economy and society might still lead to overt or covert discrimination against women. Whilst overt discrimination remains a topic, especially where wage gaps are concerned, covert constraints that express themselves through the institutional environment might nowadays play an even more important role.

Female entrepreneurship from the standpoint of labour market participation depends not only on the availability of market opportunities. It is also influenced to a large extent by the prevailing institutional environment, which includes the value that society attaches to female employment. In Western economies, increased labour market participation of women has occurred only since the 1970s, as Birley (1989) describes it: "Until very recently, the major role of women was seen in most Western economies by both men and women to be that of wife and mother. Indeed, even should they take employment this was almost always in addition to their role as homemaker." In this context, family, social, and tax policies could influence female entrepreneurship. For example, social and tax policies could influence female entrepreneurs with respect to the level of social security connected to entrepreneurship. This is an important consideration for potential female

entrepreneurs, who might also consider entrepreneurship for family reasons as they strive to combine child-raising and family responsibilities with earning an income. It takes on additional importance in a Post-Soviet context, where the Soviet support systems for childcare collapsed after transition.

While formal institutions such as laws and policies can create opportunity fields for entrepreneurship, informal institutions such as values, norms, and the general attitude of a society toward entrepreneurship can strongly influence the collective and individual perception of entrepreneurial opportunities [Welter and Smallbone (2003)]. Formal institutions mainly influence the extent to which (female) entrepreneurship is able to develop, and the characteristics of their businesses, as discussed in Welter et al. (2003). Cultural norms and values help to shape the way into entrepreneurship and more specifically influence an individual's propensity for entrepreneurship. In this context, gender could represent an additional dimension. The evolving institutional framework might constrain women's formal integration into the emerging market economy due to redefined and changed gender roles, thus restricting their access to the external resources that are needed in order to realize a venture as well as ascribing housebound roles, which would conflict with entrepreneurial activities.

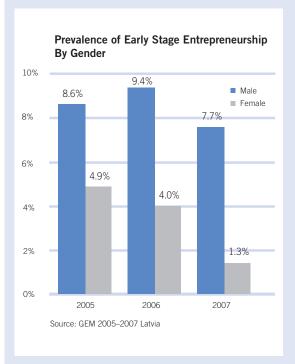
#### **Distinctiveness of the Post-Soviet Context**

Within the post-Soviet context, the background to female entrepreneurship is distinct from that of its male counterpart. This results from the roles ascribed to women during Soviet times and the consequences for entering entrepreneurship [Welter et al. (2003)]. Ashwin (2000) described the Soviet state as leaving a "paradoxical legacy" for women, as it fostered gender equality and women's participation in the labour market, thus producing strong and independent women, who on the other hand were nevertheless responsible for household and



family work. From the 1930s onwards, a shift occurred toward a "double burden" of women's responsibility, with the state placing on women the responsibility for simultaneously and successfully performing the roles of worker and mother. At the same time, men were looked upon as agents of political, economic, and social change and progress. Within families, the patriarchal order prevailed, with women in charge of family budgets, household activities, raising children, and serving their husbands. The Second World War and the post-war period only added to the double burden, since women needed to work harder in order to replace men serving in the army or lost in the war. During the transition period, women's double burden was further aggravated when family support systems collapsed.

Moreover, although Soviet states had a high share of female labour, women still experienced difficulties in breaking through the 'glass ceiling'. This left women with a lack of 'high-level' network contacts from Soviet times, disadvantaging them in the early stages of transition, where contacts with the



administration and politicians could help entrepreneurs to work around legal deficiencies in getting started, as became apparent in the privatization process in many former transition countries. On the other hand, research also emphasizes that female entrepreneurs may have enjoyed greater potential access to social capital, as they were used to managing shortages through barter and exchange of favours [Bruno (1997)]. However, some research demonstrates that although well-versed in using networks and networking, women entrepreneurs apparently lack the level of contacts that men can draw on [Welter et al. (2004)]. This is also confirmed by studies showing a dominance of kinship and strong ties in women's networks and a lack of businessrelated and weak ties [see Renzulli et al. (2000)].

All former Soviet countries display a diversity of routes into entrepreneurship. Due to their lack of 'high-level' networks and as a result of existing qualifications, women often became entrepreneurs through small-scale privatization of shops, restaurants, and pharmacies. Further, women often set up enterprises de novo in sectors that were underdeveloped during Soviet times. Examples here would be services, including business-oriented services. Moreover, female "shuttle" traders played (and in Central Asian countries continue to play) an important role during early stages of transition: They imported and sold consumer goods or raw materials missing in the domestic market. For Lithuania and Khyrgyzstan respectively, Aidis (2006) and Öczan (2006) describe the characteristics and businesses of these types of female entrepreneurs, illustrating the important role of bazaars and open markets for one particular type of female entrepreneurship.

The extent to which female entrepreneurs in a Post-Soviet environment are pushed into business, by a need to find some way of supporting themselves and their families, has led some authors to suggest that a majority are better described as "proprietors" rather than "entrepreneurs". Entrepreneurs



# Women's Entrepreneurial Activity

Latvia continued

are characterized by the reinvestment of business profits to achieve business growth and ultimately further capital accumulation, while proprietors tend to consume the surpluses generated [Scase, (2003)]. This implies that a large proportion of female business owners in Eastern European countries would fall into the "proprietorship" category, at least when their businesses are started. However, Smallbone and Welter (2003) caution against such a simplistic perspective, instead emphasizing the learning capacity of individuals over time particularly where considerable human capital is involved, as well as possible changes in external circumstances. These can lead to changes in the aspirations of individuals and their ability to spot and exploit new business opportunities.

A copy of the full discussion paper can be obtained from the Stockholm School of Economics Riga Library.





<sup>&</sup>lt;sup>3</sup> For a more detailed discussion see Welter et al. (2003, 2005, 2006a).

Consistent with the entrepreneurial focus of their male counterparts, the majority of women's businesses offer products or services that are not new to customers and only a small fraction claim that what they offer is new to all customers. Innovative products and services are more often offered by early stage women entrepreneurs than established women entrepreneurs and there is no statistically significant difference in this pattern among the three country groups or between early-stage and established business owners. Across all three country groups, it is rare to find either men or women entrepreneurs offering very innovative products and services.

With respect to technology innovation, the majority of women entrepreneurs in the low/middleincome country groups claim to be using the latest or newer technologies, regardless of venture stage, more often than their counterparts in the highincome country group although this difference is not statistically significant. Depending on the level of economic development of a country, the perception

of standard versus innovative technology can vary dramatically. This may mean that women entrepreneurs in low/middle-income countries are starting from a comparatively lower available standard and therefore have more room and opportunities to upgrade and modernize their technologies, potentially enhancing the growth potential of their ventures. Figure 3 shows that most women entrepreneurs are engaged in marketplace competition, with those who are established business owners experiencing the greatest level of competition. Overall, 67.2 percent of established women business owners say they face many competitors compared with 48.6 percent of early stage women entrepreneurs. The difference between early stage women entrepreneurs and established women business owners may reflect the success that established businesses have created, attracting competition from others. Alternatively, it also may be that early stage entrepreneurs may not yet be aware of the level of competition they will face as they launch and grow their ventures.

80% ■ Europe and Asia Low/Middle-Income Countries 74.9% ■ Latin America and Caribbean Low/Middle-Income Countries ■ High-Income Countries 70% 64.4% 60.7% 60% 56.6% 48.9% 50% 41.2% 40% 33.8% 31.4% 30% 20.0% 20% 9.6% 9.9% 10% 7 9% 5.1% 5.1% 0% Many Few Many Few No No Competitors Competitors Competitors Competitors Competitors Competitors Early Stage Entrepreneurship Established Business Ownership

Figure 3. Intensity of Expected Competition for Women's Businesses by Business Stage

# Women's Entrepreneurial Activity

# DEMOGRAPHIC AND ECONOMIC FACTORS INFLUENCING WOMEN'S ENTREPRENEURIAL BEHAVIOR

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. GEM provides insight into the demographic, economic and perceptual characteristics of women entrepreneurs worldwide. While the relationships among these characteristics tend to be consistent around the globe, there are some differences among the high-income and low/middle-income country groups.

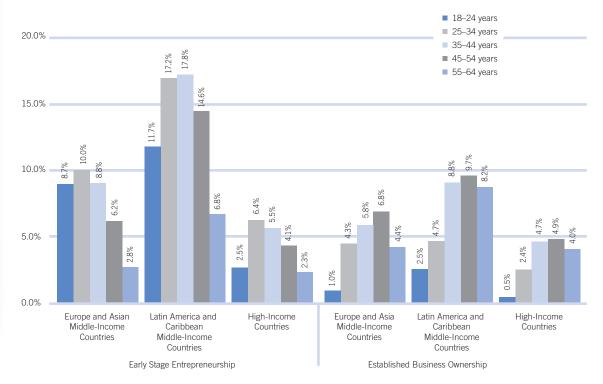
#### Age

The 2007 GEM data confirm results found in the past and reveal that patterns in entrepreneurial activity do not vary greatly from country to country with respect to age. Further, the pattern of age distribution of men and women entrepreneurs is similar and comparable regardless of country or stage of entrepreneurship. Figure 4 shows female entrepre-

neurial prevalence rates by age groups and stage of entrepreneurship in the three country groups. 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 business owners 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. The age distribution pattern of women follows an inverted U-shaped curve, similar to men, with the peak in the 25 to 34 and 35 to 44 year age groups. Interestingly, in the Latin American and Caribbean low/middle-income group, the 35 to 44 year age group (early stage entrepreneurial activity) is the largest, differing (but not significantly) from the other two groups. Established business owners in all three groups are predominantly in the 45 to 54 year age group.



Figure 4. Age Distribution of Women Entrepreneurs by Country Groups and Business Stage



25% ■ Europe and Asia Low/Middle-Income Countries Latin America and Caribbean Low/Middle-Income Countries High-Income Countries 21.8% 20% 15% 13.5% 9.4% 10% 6.3% 6.0% 5% 3.4% 1.5% 1.1% 0.8% 0%

Not Working

Figure 5. Female Early Stage Entrepreneurial Activity by Work Status and Country Groups

# Work Status

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 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 may provide access to resources, social capital, and ideas that may aid in establishing an entrepreneurial venture. Figure 5 shows the employment patterns of women involved in entrepreneurial activity across country groups. The pattern is similar among the three country groups and across gender, with the greatest entrepreneurial activity occurring among women working full-time. Nonetheless, the impact of regional and cultural context is apparent viewing the activity of those women entrepreneurs in the Latin American and Caribbean low/middle-income group. Overall, this group of countries shows a much larger

Full Time

percentage of women starting companies, regardless of employment, likely a reflection of the higher rate of necessity entrepreneurship among women in the Latin American and Caribbean region. Finally, the distributions of women involved in both early stage and established business ownership who are employed full time and part time are not significantly different across country groups.

Retired/Students

#### Education

While educational level typically influences individuals' opportunities for employment and thereby has the potential to indirectly impact women's entrepreneurial behavior, the direct influence of education on women's entrepreneurial activity is complex and varies among countries. Figure 6 shows the relationship between educational attainment and entrepreneurial activity among women in the three country groups. On average, women entrepreneurs in high-income countries are better educated than those in



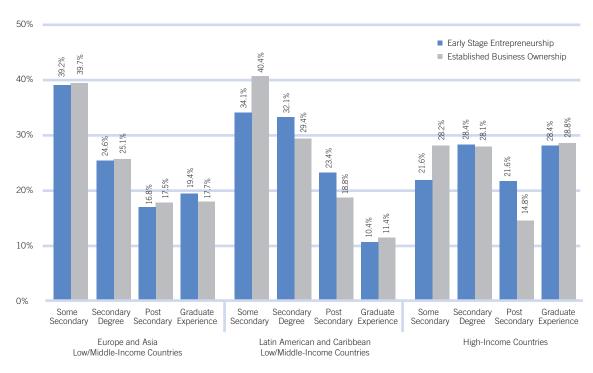


Figure 6. Female Educational Attainments by Country Group and Business Stage

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 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 worse 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.

#### Household Income

A considerable challenge faced by all entrepreneurs globally is access to capital to start a business. 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. Figure 7 shows how household income influences women's entrepreneurial activity, varying based upon stage of entrepreneurship and country region. 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.

Consistent with other findings in this report,



20% 18 ■ LOWEST 33 PERCENTILE ■ MIDDLE 33 PERCENTILE 15.1% UPPER 33 PERCENTILE 15% 10% 7.2% 6.1% 5.6% 5% 0% Europe and Asian Latin America and Caribbean Europe and Asia Latin American and Caribbean High-Income High-Income Low/Middle-Income Low/Middle-Income Countries Low/Middle-Income Low/Middle-Income Countries Countries Countries Countries Countries

Figure 7. Women Entrepreneurs Household Income by Country Groups and Business Stage

early stage entrepreneurial activity is highest among women in the Latin American and Caribbean low/middle-income countries regardless of house-hold income level and these rates are four times higher than the high income country group and significantly different (p < 0.01) from either of the other two country groups. The European and Asian low/middle-income country group has slightly higher rates, a two-fold increase over the high-income countries, but only the rate of early stage entrepreneurship in the lowest percentile is significantly different (p < 0.05) than the rate in the high-income countries.

Early-Stage Entrepreneurship

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 two times more likely to be involved in early stage entrepreneurship

than a nonworking woman (17.6 percent and 9.9 percent respectively). Furthermore, considering only higher educational attainments within household income groups does not yield an increase in female early stage entrepreneurship; that is it is employment that seems to matter most. These findings may suggest that for the poorer and less educated, work experience provides a valuable platform toward starting a business.

Established Business Ownership



# WHAT THE NUMBERS TELL: THE IMPACT OF HUMAN, SOCIAL, AND FINANCIAL CAPITAL ON ENTREPRENEURIAL ENTRY IN TURKEY

Abridged and excerpted from What the Numbers Tell: The Impact of Human, Social, and Financial Capital on Entrepreneurial Entry in Turkey by Dilek Cetindamar, Vishal K. Gupta, Esra E. Karadeniz, Nilufer Egrican

#### **Resources and Country Context**

Because social structures vary across countries, the degree to which resource availability affects women entrepreneurs depends greatly on the country context. Developing countries present an interesting context for examining the influence of resource availability on men and women interested in entrepreneurship because findings from data collected from around the world reveals that despite a general resource-poor environment in these countries, the rate of entrepreneurship among women in these countries is usually higher than that in developed countries (Bosma and Harding, 2007). Among developing countries, Turkey offers a unique perspective on the issue of women entrepreneurship (Hisrich and Ozturk, 1999). Though women have played an active role in Turkish social and political life since the early 1930s (when women in many European countries did not have the right to vote), they have only recently become active in Turkish business and commerce (Ufuk and Ozgen, 2001). The Turkish population is predominantly Muslim and in most Muslim countries it is inappropriate for women to work in the "public" sphere (Tucker, 2007), but Turkey has maintained a strong secular tradition in government and society (It is the only predominantly Muslim secular country in the world) and men and women are considered legally equal (Wasti, 1998). In fact, the Turkish government actively encourages entrepreneurial activity among women (Hisrich and Ozturk, 1999).

Turkey, a developing country, is strategically located at the crossroads of Europe and Asia and is

considered to be a geographical and cultural bridge between East and West (Ozkan and Lajunen, 2005). Recently, Turkey has witnessed a period of tremendous economic growth and development (average 7 percent annually) for the last five years. There has been a dramatic shift from a predominantly agriculture-based economy to an increasingly industrialized and service-based economy (SPO, 2006).

Historically, private enterprise has not been a strong characteristic of the Turkish people. Today, Turkish industry is rapidly changing in favor of private enterprises, but Turkish firms generally are small and medium-sized enterprises (SMEs) operating in the traditional manufacturing sector rather than in new technology-based sectors. Although the percentage of workforce employed by small and medium enterprises account for about 50 percent of the employment (SPO, 2006), Turkish SME's only have a total share of six percent in total investments, eight percent in exports, and three and a half percent in loans (Kozan, Oksoy, and Özsoy, 2005).

Scholars have argued that Middle-eastern countries such as Turkey are part of a distinct Arabic cluster which is socially, historically, and religiously very different from the rest of the world (Gupta, Hanges, and Dorfman, 2002). Countries in this cluster (e.g. Turkey, Kuwait, Qatar, Morocco, and Egypt) are predominantly Muslim, have been influenced by both the Ottoman and European empires, and tend to be highly group-oriented, hierarchical, and maledominated (Kabasakal and Bodur, 2002), however,. even within the Arab world, Turkey has a unique gender egalitarian culture dating back to the pre-Islamic period and Turkish women seem to have a stronger position compared to women in other Arabic countries, as well as, in many western and eastern countries (Kabasakal and Bodur, 2002).



# Three Forms of Capital: Human, Social, and Financial

The GEM Turkey team has found strong evidence that three forms of capital- human, social, and financial- are important for entry into entrepreneurship. We found that the most specific type of explicit human capital, formal education, increased the likelihood of entry into entrepreneurship. We also found that one specific type of social capital (Wright et al., 2001), family social capital, as measured by family size, positively impacted entry into entrepreneurship.

Kim et al. (2006) examined the impact of cultural capital on entrepreneurial entry. They define cultural capital as parental involvement in entrepreneurship. While their hypothesis was not confirmed by activity in the United States, it is more likely to be confirmed in countries such as Turkey, where attachment to family is stronger and more interdependent, thus making the likelihood of becoming an entrepreneur stronger if a parent is involved in entrepreneurship (Ashkanasy, Trevor-Roberts, and Earnshaw, 2002). We believe cultural capital may be an important form of capital and encourage more research on the role of cultural capital in the entrepreneurial process.

## Social Capital and Family Social Capital

Social capital refers to the "the ability of actors to secure benefits by virtue of membership in social networks or other social structures" (Portes, 1998: 6). It focuses on the characteristics of relationships that people have and the norms that govern these relationships (Schuller, 2001). The accepted wisdom in the literature is that social capital enhances the likelihood of expressive outcomes, such as higher life satisfaction and better mental health, and instrumental outcomes, such as better jobs and faster promotions (Lin, 2000).

Family social capital is a special type of social capital that occurs in family relations (Parcen and

Menaghan, 1993). It refers to the "relations between children and parents (and, when families include other members' relationships with them as well" (Coleman, 1988: S110). Cooperation within a family stems not just from pure self-interest, but from a greater moral order in which the accumulation of obligations among members builds a kind of social cohesion that may be described as "household communism" (Weber, 1978). Kovacheva (2004) found that in societies characterized by lower levels of other forms of social capital (e.g. countries in south-east Europe such as Bulgaria), family social capital becomes very important for people's life and career development.

Because family members have a greater stake in the growth and success of the business, they are usually more productive than non-family labor when hourly wages are low. Family members are generally more trustworthy in matters involving sensitive transactions where the risk of opportunism and malfeasance is high. Similarly, family members can be trusted in under-the-counter transactions aimed at evading taxes and other government regulations that are common in many parts of the world. Thus, family social capital can be beneficial to people interested in entering entrepreneurship.

# Relationship Between Becoming an Entrepreneur and Family Social Capital

Our study proposed that social capital is positively related to the likelihood of becoming an entrepreneur. We found that social capital (measured as family size) had a significant association with likelihood of becoming an entrepreneur In other words, family social capital has a positive impact on the likelihood of becoming an entrepreneur.

It also was proposed that the relationship between social capital and likelihood of becoming an entrepreneur will be different for men and women. We examined the relationship between social capital and likelihood of becoming an



# Women's Entrepreneurial Activity

Turkey continued

entrepreneur for men and women separately. The investigation revealed that there was a significant relationship between family social capital and likelihood of becoming an entrepreneur for both men and women, but there are gender differences in the strength of the relationship.

Men who have a family size of seven or eight are significantly more likely to become an entrepreneur compared to men who have less than three people in their family. For women, only families with more than five people compared to the base family size significantly increase the likelihood of becoming an entrepreneur. Women who have five and six people in their family are forced to find new means of revenue for the family while this impact starts to lose its significance when family size gets larger since women continue to be the main childcare provider in most Turkish families. At the same time, men continue to be seen as family breadwinners responsible for providing economically for their family, which may explain the finding of a stronger relationship between family social capital and the likelihood of becoming entrepreneur as family social capital increases. Therefore, the evidence shows that the

relationship between social capital and likelihood of becoming an entrepreneur was different for men and women.

The discussion of the impact of additional factors on entrepreneurial entry in Turkey is presented in the full paper. To request a copy, please contact a member of the GEM Turkey team. Contact details are on the GEM Web site under national teams. www.gemconsortium.org



The Distribution of Employment According to Work Position in Turkey

Year	Female unpaid family workers/ total employed women (percent)	Wage, salaried women workers/ total employed women (percent)	Women entrepreneurs/ total employed women (percent)	Women entrepreneurs/ total entrepreneurs (percent)	Women living in rural area (precent)	Women living in urbanarea (percent)
1988	70.2	18.1	7.1	7.1	79.3	20.7
1990	69.2	18.2	9.1	9.0	83.1	16.9
1995	65.0	21.4	9.0	8.7	72.9	27.1
2000	52.1	30.8	12.6	11.3	64.3	35.7
2004	49.8	33.4	11.0	9.9	59.7	40.3

Source: TÜIK, 2005. (www.die.gov.tr, retrived: 17.03.2005).

# CHARACTERISTICS OF WOMEN ENTREPRENEURS AND FACTORS INFLUENCING PERCEPTIONS ABOUT THE ENTREPRENEURIAL ENVIRONMENT

Scholars agree that opportunity recognition, social capital, and self-concept may be important influencers on entrepreneurial behavior. GEM collects data with respect to individual perceptions of the market and risk factors with respect to starting a new business. Participants were asked whether they personally knew other entrepreneurs, to what extent they saw good opportunities, whether they believed they had the requisite knowledge for business startup, and whether fear of failure would prevent them from business startup. Table 5 shows the percentage, by country groups and stage of entrepreneurial activity, of males and females who answered "yes" to each of four questions related to factors influencing perceptions.

The perceptual factors data provides an interesting window into the entrepreneurial mind-set. Individuals who are involved in entrepreneurial activity (whether early stage or established) clearly differ from those who are not, regardless of country groups or gender. Specifically, men and women entrepreneurs at any stage 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 people who indicate no involvement in entrepreneurial activity. Although patterns are qualitatively similar, in all three country groups and in early stage and established entrepreneurship, a lower percentage of women than men know other entrepreneurs and believe themselves to have the sufficient skills for running a business. In other words, men have more role models or social connections and tend to be more self-assured in their perception of their own abilities.

Table 5 also clearly shows that women who choose to pursue entrepreneurial activity, at any stage, tend to be more optimistic about their own ability and about the existence of unexploited market opportunity than those who stay away from new venture creation. These findings are consistent with

other research in which scholars have shown that entrepreneurs and nonentrepreneurs differ on such attributes. Entrepreneurs exhibit significantly higher levels of self-confidence and belief in their own capabilities. This self-confidence, in turn, may increase alertness to recognize opportunities and thus the creation of more new firms. While the levels of self-confidence and opportunity recognition may vary by gender, this pattern nonetheless holds true for all entrepreneurs compared with those who choose not to engage in venture formation.

The GEM data suggests that fear of failure is, in fact, highly correlated to entrepreneurial activity, although such relationship may be mitigated by country context. Noticeably, more than one-third of women who engaged in no business activity expressed fear of failure. Table 5 shows that men and women who are involved in entrepreneurial activity at any stage tend overall to be less afraid of failure than people who indicate no involvement in entrepreneurial activity. However, while patterns for both early stage and established entrepreneurship are qualitatively similar by gender, a higher percentage of females than males would let fear of failure prevent them from starting a business. Further, country context does seem to have a particular impact on rates of fear of failure. While fear of failure rates are similar across gender in the high income countries, this is not the case in other regions. Fear of failure is significantly higher for women than men in both low/middle-income country groups, particularly among the Europe and Asia low/middle-income countries where the expression of fear of failure for women entrepreneurs (42.6 percent) is almost double that for early stage women entrepreneurs in Latin America and Caribbean low/middle-income countries (22.5 percent).

Interestingly, for women in European and Asian low/middle-income countries, regardless of entrepreneurial stage, women entrepreneurs express fear of failure at the same rate as those who are not



# **CHARACTERISTICS OF WOMEN ENTREPRENEURS**

engaged in entrepreneurial activity. It appears that something in the regional or cultural context influences women's fear of failure and begs the question

as to how much higher the rate of entrepreneurship in this region might be were the pattern more comparable to that in other countries.

Table 5. Factors Influencing the Entrepreneurs' Perceptions by Gender and Business Stage

Personally Knows a	an Entreprene	eur Who Started a Busi		
		No Entrepreneurial Activity	Early Stage	Established
Low/Middle-Income Countries Europe and Asia	Male Female	43.60% 36.50%	76.80% 54.20%	64.70% 52.20%
Low/Middle-Income Countries Latin America and Caribbean	Male Female	46.80% 34.10%	68.20% 56.90%	55.60% 46.40%
High-Income Countries	Male Female	36.50% 27.90%	60.40% 56.60%	52.80% 45.90%
Sees Good Sta	rtup Opportui	nities in the Next Six N No Entrepreneurial Activity	lonths in His/He Early Stage	r Area Established
Low/Middle-Income Countries Europe and Asia	Male Female	33.70% 30.90%	57.40% 50.30%	47.70% 42.40%
Low/Middle-Income Countries Latin America and Caribbean	Male Female	29.10% 44.10%	70.90% 67.10%	60.50% 59.80%
High-Income Countries	Male Female	35.40% 33.50%	64.60% 59.70%	52.20% 45.00%
Has the	Required Kn	owledge and Skills to S No Entrepreneurial Activity	Start a Business Early Stage	Established
Has the Low/Middle-Income Countries Europe and Asia	Male Female	No Entrepreneurial		77.70% 68.40%
Low/Middle-Income Countries	Male	No Entrepreneurial Activity 41.00%	Early Stage 83.50%	77.70%
Low/Middle-Income Countries Europe and Asia Low/Middle-Income Countries	Male Female Male	No Entrepreneurial Activity  41.00% 30.20% 68.80%	83.50% 76.50% 3921.00%	77.70% 68.40% 89.30%
Low/Middle-Income Countries Europe and Asia Low/Middle-Income Countries Latin America and Caribbean High-Income Countries	Male Female Male Female Male Female	No Entrepreneurial Activity  41.00% 30.20% 68.80% 54.80% 49.50%	83.50% 76.50% 3921.00% 86.40% 88.70% 85.50%	77.70% 68.40% 89.30% 85.80%
Low/Middle-Income Countries Europe and Asia Low/Middle-Income Countries Latin America and Caribbean High-Income Countries	Male Female Male Female Male Female	No Entrepreneurial Activity  41.00% 30.20% 68.80% 54.80% 49.50% 36.20%  ald Prevent from Starting No Entrepreneurial	83.50% 76.50% 3921.00% 86.40% 88.70% 85.50%	77.70% 68.40% 89.30% 85.80% 88.30% 82.70%
Low/Middle-Income Countries Europe and Asia Low/Middle-Income Countries Latin America and Caribbean High-Income Countries  Fear Countries	Male Female Male Female Male Female Female  The male  Male Male Male Male Male	No Entrepreneurial Activity  41.00% 30.20% 68.80% 54.80% 49.50% 36.20%  Ild Prevent from Startin No Entrepreneurial Activity 33.70%	83.50% 76.50% 3921.00% 86.40% 85.50% ng a Business Early Stage	77.70% 68.40% 89.30% 85.80% 88.30% 82.70%  Established 30.50%



#### SOCIAL POSITION, PERCEPTIONS, AND BUSINESS CREATION

### By Amanda Elam

There is an old saying popular among American football coaches: "Good luck is when preparation meets opportunity." Preparation in the context of this old sports adage refers to the skills, abilities, and mental states of the athlete. This idea plays out in the marketplace as well. What does it mean to be prepared for a good business opportunity? Are men and women equally prepared to meet such opportunities?

Much of the current thinking in management and economic circles focuses on the importance of access to resources such as financial capital and information. The problem with this thinking is that, while it identifies at least two key resources important for preparation, it under-specifies the factors that define social position and ignores the importance of dispositional factors. Sociologists, for instance, look to a much broader set of factors as key determinants of the economic decisions that individuals make.

Prevailing sociological definitions of social structure and the contexts, or, social positions from which individuals make decisions and take action include a broad set of factors that characterize specific social positions, including resources such as economic assets, education and experience, social ties, and social status (legitimacy or prestige). Contemporary social theory further stresses the fact that these resources are more or less convertible—that is, one may be traded for another at varying exchange rates. Not only do these resources define the contexts in which men and women find themselves, but they serve as the resources that individuals draw upon to act. The resource, or capital sets, that define one's social position also are associated with particular worldviews (i.e., sets of perceptions about oneself and the surrounding environment) that determine how individuals relate to, use, and mobilize the resources necessary

to start a business.11

Feminist theories of gender difference have certainly wrestled with this notion of preparation in terms of both social position and worldviews. A liberal feminist perspective, in fact, argues that gender differences are a direct result of the different positioning of men and women in the social structure. A social, or, cultural feminist perspective, on the other hand, argues that gender differences arise because men and women experience life in fundamentally different ways and, as a consequence, develop fundamentally different dispositions and approaches to the market place.<sup>12</sup>

Earlier GEM reports have indicated the extent to which startup activity differs between men and women varies with the level of national development as measured by per capita GDP (PPP). However, even in countries with similar levels of development, the distribution of individuals across the structure can vary considerably by country. As sociologists see it, all individuals in a given population are, in fact, distributed into various positions across a social structure according to a socially defined division of labor and distribution of rewards. Furthermore, in all countries, there are distinct gender patterns to this distribution of individuals that result in differential outcomes in terms of market behaviours such as entrepreneurship or business startup. Women and men, in fact, find themselves in distinctly different positions with different levels and types of preparation for the marketplace.

Combining both a macro view of the importance of social structure for understanding who is most likely to pursue entrepreneurship activity with a micro-level view of how action is determined by social position and/or perceptions presents an interesting question about the relative importance of national wealth, social position, or perceptions as explanations of entrepreneurship participation pat-



## CHARACTERISTICS OF WOMEN ENTREPRENEURS

Social Position, Perceptions, and Business Creation continued

terns across countries and gender.

The Global Entrepreneurship Monitor data provide the means to test such a question. Using some basic HLM methodology and a measure of per capita GDP (PPP), we used XTMELOGIT procedure in Stata to calculate percentage change in random variations for gender and country for three years of GEM data—2005, 2006, and 2007—attributable to variations in national development, social position, and perceptions. The dependent variable used was a conventional measure of early stage entrepreneurship, nascent entrepreneurship—i.e., those respondents actively pursuing business creation. Social position was specified in terms of four types of capital resources—economic, cultural, social, and symbolic. Economic capital was measured by household income class. Cultural capital is specified in terms of age (experience) and education. And symbolic capital represents the legitimacy associated with status characteristics, in this case gender. Individual worldview was measured in terms of three perceptions—the expectation of seeing a good business opportunity in the next six months, belief that one has the skills to start a business, and a fear of business failure. The results are presented here in Table 6.

These results show that for gender variation in nascent entrepreneurship, perceptions offer the

most explanatory power, followed by GDP and social position. GDP only explains at most 3 percent of gender variation in business start-up activity. In the 2006 data, GDP actually increases the amount gender variation to be explained. Social position has little explanatory power for gender variations in nascent entrepreneurship. In fact, controlling for social position factors produces an 8-30 percent increase in the gender variation to be explained, indicating that there is more difference in startup activity among men and women in similar social positions than across social positions. In contrast to GDP and social position results, perceptions account for 26-49 percent of the gender variation in nascent entrepreneurship. The 2006 results regarding gender variation appear to be anomalous. The source of this variation is most likely due to the particular mix of countries in the sample for that year.

The results further demonstrate the explanatory power of perceptions and social position above and beyond national wealth for the variation in startup activity across countries. GDP only explains about 4.5–10.7 percent of the country variation in nascent entrepreneurship. Social position explains 8.7 percent at most of the country variation. The 2007 data showed an increase in the amount of country variation with the control of social position factors. Again, perceptions prove to offer the strongest explanation

Table 6. Cumulative Percentages of Gender and Country Variances Explained by National Wealth, Social Position, and Perceptions in Three Years of GEM Data

	% gender variation			% country variation		
	2005	2006	2007	2005	2006	2007
(+) GDP	3	-10.5	0.3	4.5	9.8	10.7
(+) social position	-5.8	-37.2	-27	13.2	18	2
(+) perceptions	20.7	4.8	22.4	40.5	39.4	33.4
(+) perceptions	20.7	4.8	22.4	40.5	39.4	

<sup>&</sup>lt;sup>11</sup> For more information on sociological definitions of social position, see Bourdieu 1986 or Elam 2008.

<sup>&</sup>lt;sup>12</sup> For a review of feminist theory and entrepreneurship, see Greer and Greene 2003, or Fischer, Reuber, and Dyke 1997.



of the variation in nascent entrepreneurship across countries, explaining around 27.3–31.4 percent of the country variation.

Taken on the whole, these results indicate that perceptions matter much more for predicting gender differences in business startup than social position and national development. Before accepting such a finding at face value, however, we must consider the bias toward advanced economies in the sample of countries involved in this analysis. Women in less developed contexts face much more serious barriers to formal economic participation and significantly higher rates of informal economic participation than their counterparts in advanced economies. Accordingly, social position factors are likely to hold more relative importance in such contexts. Indeed regression analysis of individual countries indicates that the relative importance of social position factors and perceptions varies considerably across national contexts. As countries develop, however, and the playing field is increasingly levelled, perceptions will increasingly become the defining difference among individuals and, consequently, an increasingly important predictor of business startup activity.

In the sense of being in the right place at the right time—that is, being in social positions where opportunity is most likely to knock—social position is a key tenet in sociological theories of behaviour. However, the results indicate that gender differences are not explained well by different sets of capital resources, but more so by different relationships with those capital resources. If you give a poor person money, he will do something very different with that money than a rich person will because the way that individual relates to money is fundamentally different from the way that the rich person relates to money. The same type of process occurs with gender. Given similar economic resources, women will make fundamentally different decisions about what to do with that capital. Given similar

information and education, women will choose to do fundamentally different things with these resources. Given similar social ties, women will draw upon those ties in fundamentally different ways. And finally given a similar level of credibility, women will use this resource in fundamentally different ways.

Nonetheless, it is clear that cultivating a better understanding about the relationship between social structure, perceptions, and macro factors, like GDP, is extremely important for the study and understanding of entrepreneurship activity. As countries develop, governments and other regulating bodies are faced with the daunting task of setting policy that encourages or sustains positive economic growth and social stability in an increasingly complex institutional environment. Changes in macrolevel factors affect people in different social locations differently. Moreover, perceptions appear to be linked to specific social positions, particularly for gender. So, even if women are positioned relatively well compared to men, different perceptions about self and environment may prevent them from starting businesses.



# CONCLUSIONS

#### **IMPLICATIONS FOR POLICY**

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

- 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 important part of the economic makeup of many countries and may be 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.
- Employment and a social network that includes other entrepreneurs are stronger predictors of women's entrepreneurship than educational attainment or household income.
- Perceptual factors that reflect optimism, selfconfidence, and no/low 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 perceive the world differently from men in comparable situations. The implications for policymaking 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/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.



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- To measure differences in the level of entrepreneurial activity between countries
- To uncover factors leading to appropriate levels of entrepreneurship
- To suggest policies that may enhance the national level of entrepreneurial activity

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