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Gender differences in entrepreneurial propensity: Evidence from matrilineal and patriarchal societies

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ABSTRACT

We examine whether men and women in patriarchal and matrilineal societies differ in their propensity to engage in entrepreneurship. We conduct two studies. Study 1 involves face-to-face interviews to identify individuals who are in the process of starting a new business. We find that men in patriarchal societies are more likely than women to initiate action to start a new business. This result, however, is reversed in matrilineal societies, where women are more likely than men to do so. The results of causal mediation tests suggest that entrepreneurial self-efficacy and fear of business failure explain the gender gap in both societies. Study 2 involves a controlled experiment in the lab that captures individuals' willingness to invest in the creation of a new venture. The results of the experiments are consistent with the survey data: men in patriarchal societies and women in matrilineal societies invest more in new venture creation in a simulated environment. We therefore rule out the simplistic view that women are inherently less likely to enter into entrepreneurship due to innate differences across genders. Rather, gender differences in entrepreneurial propensity are outcome of socialization.

1. Executive summary

Women's participation in entrepreneurship is significantly lower than that of men in almost every country of the world. Essentialist scholars emphasize that gender differences in entrepreneurial propensity are universal because they have roots in biology and genetics. In contrast, the social constructionist view implies that women's lack of participation in entrepreneurship can be explained by gender socialization – that is, the different upbringing of men and women. To test these opposing hypotheses, we collected primary data from matrilineal and patriarchal indigenous communities in Bangladesh. If entrepreneurial propensity reflects inherent gender traits, women's engagement in entrepreneurial activity will be less than that of men in both types of societies. However, if gender socialization plays a role, in matrilineal societies women will exhibit greater entrepreneurial propensity than men, and we can reject the simplistic view that women are inherently less enterprising than men.

We conducted two studies. In Study 1, we asked individuals ($N = 457$)—in face-to-face interviews—whether they were involved in the process of starting a new business. We find that men in patriarchal societies are more likely than women to initiate action to start a new business. This result, however, is reversed in matrilineal societies, where women are more likely than men to do so. The results of causal mediation tests suggest that entrepreneurial self-efficacy and fear of business failure explain the gender gap in both societies. Due to gender socialization, women in matrilineal societies are raised for engaging in income-generating activities outside the home, and they are often encouraged to pursue a challenging career, such as running a business. In patriarchal societies, on the other hand, entrepreneurship is considered a man's domain, and women tend to see an entrepreneurial career as 'inappropriate' for their sex. This restrains women from being involved in entrepreneurship by undermining their self-efficacy and perceived ability to

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bounce back in the event of a business failure.

In Study 2, we conducted a controlled experiment in the lab ($N = 276$) and observed individuals' willingness to invest in the creation of a new venture, where venture creation involves risk-taking. The results of the experiments are consistent with the survey data: men in patriarchal societies and women in matrilineal societies invest more in venture creation. Our findings are clear; we rule out the essentialist argument that women are universally less enterprising due to innate differences across genders. Rather, it is the different nurturing of men and women that explains gender differences in entrepreneurship. It is beyond the scope of this paper to recommend which specific policy should be adopted to reduce the gender gap in entrepreneurship. However, our findings imply that such policies should be designed to modify stereotypical beliefs about gender and entrepreneurship.

2. Introduction

Entrepreneurship is usually characterized as a *man's* domain (Brush, 2006). Schumpeter's (1934) self-made hero is a daring, decisive, risk-loving, and aggressive man, who is motivated to succeed and control by founding a business of his own. In the popular press, the role of women entrepreneurs is at best marginal and at worst missing (Ahl, 2006; Baker et al., 1997). Even academic research is not an exception. Several entrepreneurship scholars reported that the level of testosterone determines who becomes an entrepreneur (Nicolaou et al., 2018; White et al., 2007). Minniti and Nardone (2007) bootstrapped the 2002 Global Entrepreneurship Monitor (GEM) data to compare the entrepreneurial choices of men and women in identical socio-economic environments. They conclude that there are indeed inherent differences in the propensity to start a business across genders. These differences are universal because they do not result from socio-economic and contextual circumstances.

Some scholars, however, emphasize the role of socialization. For example, Gupta et al. (2014) argue that stereotypical beliefs, which are acquired through socialization, explain gender differences in the evaluation of entrepreneurial opportunities. Shinnar et al. (2012) suggest that the cultural context of a country shapes gender differences in entrepreneurial perceptions. To feminist scholars, women's under-representation in entrepreneurship is an outcome of discrimination and systemic deprivation of access to vital resources, such as education and finance (Fischer et al., 1993; Kalleberg and Leicht, 1991). Thus, if women gain access to equal opportunities, gender differences in entrepreneurship will diminish or disappear.

The objective of this study is to provide insights into the underpinnings of what might explain women's lower entrepreneurial propensity. Are women inherently less likely to engage in entrepreneurship? Or are they so because of the nurturing lessons they absorb from their environment? Entrepreneurial activities, such as founding a new business, generate many benefits (e.g., Ahlstrom, 2010; Bruton et al., 2013; Croson and Minniti, 2012). Women in developing countries, in particular, benefit greatly from new venture creation because it improves their economic and psychological wellbeing in a milieu in which opportunities for paid employment are limited (Datta and Gailey, 2012; Pitt and Khandker, 1998; Shahriar and Shepherd, 2017). As such, there has been a growing interest among policy makers to encourage women's participation in entrepreneurship (Kelley et al., 2013). The identification of effective policy measures, however, depends on an accurate understanding of why women are less likely to pursue an entrepreneurial career.

Most theorists who study the origin of gender differences in human behavior have taken either an essentialist or a social constructionist perspective (Wood and Eagly, 2002). Essentialist scholars emphasize that gender differences in human behavior have roots in biology and genetics. As such, men and women are inherently different (e.g., Baron-Cohen, 2003; Lawrence, 2006). An implication of the essentialist view is that gender differences in entrepreneurial propensity are universal. The constructionists, on the other hand, view gender differentiated behaviors as the outcome of social structure and local ecology (Bussey and Bandura, 1999; DeLamater and Hyde, 1998; Eagly and Steffen, 1984). In the present context, the constructionist paradigm implies that gender differences in entrepreneurial propensity emerge from gender socialization, i.e., the different upbringing of men and women.

To test these opposing hypotheses, we collected primary data from two matrilineal and two patriarchal indigenous communities in Bangladesh. In a patriarchal society, upper positions in the hierarchy are predominantly occupied by men. In a matrilineal society, however, the position of men is the mirror image of that of women in a patriarchal society (Campbell, 2002; Goldberg, 1993; Gneezy et al., 2009). Thus, men and women are nurtured in opposite ways in these two types of societies. The methodological approach of collecting data from two distinct societies to explain gender differences in human behavior is inspired by Gneezy et al. (2009). The idea is that if gender differences in entrepreneurial propensity are universal, these differences will be observed in every society irrespective of its gender relations. However, if a reversal of this gender gap across matrilineal and patriarchal societies is observed, the hypothesis that women are inherently less enterprising than men can be rejected.¹

We conducted two studies to investigate whether men and women have different entrepreneurial propensities in matrilineal and patriarchal societies. We define entrepreneurial propensity as an individual's tendency to become an entrepreneur by founding a new business (Koellinger et al., 2013; Langowitz and Minniti, 2007; Minniti and Nardone, 2007). In Study 1, we conducted a face-to-face interview to identify individuals who are in the process of starting a new business. Our findings reveal that compared to men, women are less likely to start a new business in a patriarchal society but more likely to do so in a matrilineal society. Entrepreneurial self-efficacy and fear of business failure explain the gender gap in both societies.

In Study 2, we conducted a controlled experiment in the lab. Our experimental design builds on the experiments of Grichnik et al. (2010), who construct entrepreneurial decision-making as an investment choice because entrepreneurs invest resources to exploit new opportunities. Grichnik et al. (2010), however, did not consider the role of risk associated with entrepreneurial action despite the

¹ Prior researchers have adopted this approach to examine gender differences in competition, risk-aversion, loan repayment decisions, and the decisions taken in a dictator game (Andersen et al., 2013; Chakravarty et al., 2014; Gong and Yang, 2012; Gong et al., 2015; Ponderfer et al., 2014).

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