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Failure or voluntary exit? Reassessing the female underperformance hypothesis☆

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ABSTRACT

We reevaluate the female underperformance hypothesis by challenging the assumption that female-owned ventures are more likely to fail. Instead of equating exit with failure, we draw on exit literature and feminist theories to argue that female entrepreneurs are actually more likely than males to *exit voluntarily*. We argue for further gender differences by using an even more fine-grained conceptualization of entrepreneurial exit (failure, exit for personal reasons, and exit for other professional/financial opportunities). Post-hoc analyses also point to within-gender heterogeneity depending on family status. A sample probe of 219 Spanish entrepreneurs who had exited their business supports our overall reasoning.

1. Executive summary

Are female entrepreneurs more likely to fail than male entrepreneurs? With a few exceptions, the existing literature finds that female-owned ventures (as compared to male-owned) perform worse and are more likely to fail, reinforcing the female underperformance hypothesis (Du Rietz and Henrekson, 2000; Rosa et al., 1996). However, most studies come to this conclusion based upon higher exit rates for female-owned ventures; thereby neglecting recent theoretical development and empirical testing which demonstrate that entrepreneurs exit ventures for a myriad of reasons—both voluntary (e.g. new professional opportunity) and involuntary (e.g. bankruptcy)—many of which have little to do with firm performance. The bulk of this recent research argues that exit and failure are different constructs (Ucbasaran et al., 2013).

This raises the question if females are really more likely to fail or if they are in fact "just" more likely to exit? In this paper we draw on feminist theories, psychological ownership considerations, and Taylor (1999) preliminary evidence in the field of economics to examine gendered exit patterns. Specifically, we hypothesize in a first step that female entrepreneurs (compared to males) are more likely to exit voluntarily than for business failure (involuntary exit). In a second step, we take a closer look at voluntary exit and

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theorize that females (as compared to males) are more likely to exit for personal reasons and for other professional/financial opportunities than for business failure.

Using a sample of 219 former entrepreneurs from the Spanish GEM study our results align with social feminist theory and indicate that female entrepreneurs are indeed more likely than their male peers to exit voluntarily, and in particular for personal reasons. Understanding "true" failure rates may help potential investors and policy makers better assess the performance prospects of female-owned ventures. It is also critically important to females because research has shown that females (as a group) are more risk-averse (Byrnes et al., 1999). If a group of risk-averse individuals are informed that their likelihood of failure is particularly high, they are significantly less likely to engage in the behavior. As such, female entrepreneurs should recognize that actual failure rates are much lower and many who do leave their firms do so as a result of a personal decision process.

However, we are reminded that Social Constructionist Feminism Theory portrays gender as something that is "done" rather than something that simply "is" (Fenstermaker and West, 2002), suggesting that it is important to examine underlying mechanisms when interpreting gender findings. Thus, we conduct post-hoc analyses in the form of within-gender comparisons to examine the extent to which family factors (being in a spousal relationship and number of children) underlie our findings. Interestingly, females were more likely to exit for personal reasons than for failure if they were in a spousal relationship. Males were more likely to exit for other opportunities than for failure if they were in a spousal relationship, but less likely if they had more children. Our insight that family factors differentially affect male and female entrepreneurs supports the recent research calling for the examination of heterogeneity among both males and females (Hughes and Jennings, 2012; Hughes et al., 2012) and the inclusion of family embeddedness in entrepreneurship research (Aldrich and Cliff, 2003; Brush et al., 2014).

Together our study demonstrates that both male and female entrepreneurs make individual and volitional decisions to exit their ventures, suggesting that true "failure" rates may be overstated. It also addresses the recurring and intensively debated question if female entrepreneurs are more likely to fail than male entrepreneurs. Our theorizing and our empirical analyses show that females do not seem to fail more often; rather, they are likely to exit more often for different types of voluntary reasons. Our work thus reassesses and questions the "female underperformance hypothesis" and offers intriguing and novel insights into gender patterns in the context of entrepreneurial failure and exit.

2. Introduction

The survival prospects of female-owned businesses have been the subject of considerable debate over the last two decades (for a review, see Jennings and Brush, 2013; and Klapper and Parker, 2011). While a few studies reveal no gender differences in business survival (Coleman and Robb, 2012; Kalleberg and Leicht, 1991; Robb and Watson, 2012)—and some show female-owned ventures outperforming male-owned ventures in specific industries (e.g., education, clothing) and geographic areas (e.g., large cities) (Kalnins and Williams, 2014)—the bulk of the extant research generally assumes that female entrepreneurs are more likely to fail than their male peers, thereby reinforcing the dominant "female underperformance hypothesis" in entrepreneurship (Du Rietz and Henrekson, 2000; Rosa et al., 1996). This hypothesis refers to a body of research which has found (at least at the aggregate level) that "female entrepreneurs tend to underperform relative to their male counterparts" (Du Rietz and Henrekson, 2000, p. 1). The majority of studies focusing on survival come to this conclusion based on evidence about higher exit rates for female-headed firms (e.g., Allen et al., 2008; Boden and Nucci, 2000; Bosma et al., 2004; Fairlie and Robb, 2009; Robb, 2002). For example, Taylor (1999) notes that in Britain, for all spells of self-employment at the 5-year mark, male-owned ventures had a 58% survival rate while female-owned ventures had a 51% survival rate. Thus, the prevailing notion is that female entrepreneurs tend to underperform and do not "measure up" to their male peers.

We argue, however, that this notion is erroneous because it equates exit with failure. Recent entrepreneurship articles have demonstrated that the concepts of failure and exit derive from different theoretical perspectives and are driven by different factors (e.g., Bates, 2005; Wennberg et al., 2010). Yet, the dominant perspective from strategic management and organizational research is that an entrepreneur's primary goal is to develop a competitive advantage and long-term sustainability. Thus, exit is often viewed as failure and a negative outcome, while survival and continuation are viewed as successful outcomes (Wennberg and DeTienne, 2014). This dichotomous view does not take into account individual volition and decision-making autonomy, wherein an entrepreneur may view exit as a specific goal and positive outcome (Ryan and Power, 2012). The argument for disentangling failure and exit constructs contends that entrepreneurs voluntarily exit ventures for many reasons, including strong firm performance (e.g., acquisitions) (Cumming, 2008), personal reasons (e.g., retirement or full-time education) (Harada, 2007), alternative jobs (Taylor, 1999), or even as a risk-reduction strategy in which entrepreneurs abandon ventures with limited upside potential (e.g., fail quickly) (McGrath, 1999). The obvious implication of this perspective to the current gender literature is that additional research is needed to understand if females actually "fail" more often or simply "exit" more often.

Research provides some preliminary evidence supporting the notion that failure may be only one of many explanations for female entrepreneurs' higher exit rate. For example, Taylor's (1999) study of self-employment duration contains descriptive statistics offering initial evidence that males, on average, are more likely than females to exit a venture for reasons of alternative employment (47.9% vs. 35.8%), bankruptcy (18% vs. 9.9%), and retirement (9.2% vs. 7.8%). Females are more likely to exit for other specified and unspecified reasons which include health issues, family care, moving home, and full-time education (46.6% vs. 24.9%). Taylor's study is important because it is the first (that we are aware of) to provide preliminary evidence that females may exit ventures for different reasons. His work has largely gone under the radar of entrepreneurship and gender scholars, partly because it lacked explicit focus and theorization on the gendered nature of entrepreneurial exit and focused instead on self-employment (SE) duration, which is a prominent theme in economics and labor economics literature (e.g., Boden, 1996; Georgellis et al., 2007). Yet, if female entrepreneurs are indeed