



Making the most of group relationships: The role of gender and boundary effects in microcredit groups[☆]



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ABSTRACT

Relationships and networks are important for a range of entrepreneurial outcomes. However, gender scholars' efforts to compare networks across genders rarely extend to provide empirical evidence for the link between networks and performance. Building on expectation states theory and network perspectives, we examine between- and within-gender differences in the network size–performance relationship, highlighting the conditions under which some females leverage their relationships for firm performance better than others. Using data collected from microcredit entrepreneurs in Kenya, we find that the number of within-group ties positively influences firm performance but more positively for male entrepreneurs. For female entrepreneurs, this relationship is contingent on both their individual and their group's characteristics. We discuss implications and future research directions for the gender, networks, and microcredit literatures.

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1. Executive summary

Personal networks are important for a range of entrepreneurial outcomes. To understand the role of gender in networks, scholars' efforts have largely focused on examining between-gender differences in network activities and characteristics while only implicitly assuming that such differences ultimately translate into differences in performance. Rather than furthering our examination of differences in network structures, the noted absence of evidence motivates us to first understand why and when the *same* network characteristics (e.g., network size) may differ in their effects on the performance of male as compared to female entrepreneurs. Further, we deepen our understanding of the gendered nature of networks and examine within-gender differences by looking at the conditions under which some females better leverage their network ties for performance compared to others.

We examine network ties in the context of microcredit groups in Nairobi, Kenya. While these groups' main purpose is to facilitate loan repayment mechanisms for banks, for microcredit entrepreneurs, network ties within such groups can also be important sources of support, information, and advice and, more broadly, serve as drivers of stronger sales performance. However, the value of a network tie for an entrepreneur is under other group members' discretion: the extent to which a group member is willing to engage in or commit to a relationship is likely dependent on the focal entrepreneur's status. In considering entrepreneurship as a typically male-typed

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occupation as well as the role of females in Kenya, we build on expectations states theory (EST) and posit that females have lower status than males in this context. This in turn implies that the value of network ties for entrepreneurs' performance may be delimited by their status in the group such that even with the same number of ties, male entrepreneurs will have higher performance compared to their female counterparts. Building on this logic, we further theorize that under certain conditions, the status deficit of female entrepreneurs may be partially offset or compensated for by entrepreneurs' individual experience and group characteristics, such as group gender composition and loan officer gender.

To test our hypotheses, we collected data in Nairobi, Kenya, relying on help from local surveyors and collected questionnaires from 237 entrepreneurs across 25 microcredit groups (153 females). Consistent with our theoretical expectations, we found that the number of within-group ties positively influenced microcredit entrepreneurs' performance, but the relationship was more positive for male entrepreneurs. In addition, we found that among females, both individual and group characteristics created nuances in this relationship. On the individual level, prior industry experience reinforced the relationship and at least partially compensated for the status deficit of experienced females compared to their non-experienced counterparts. On the group level, the presence of a female loan officer positively reinforced the effect of the number of within-group ties on performance, lending credence to the argument that the presence of highly ranked female staff may offset the importance of gender status in network dynamics. We observed a similar effect in groups in which females constituted more than 80% (i.e., represented the dominant majority in groups) though the effect lacked significance when entered alone in the model.

Our study suggests that status lens is a powerful tool to help us understand both between- and within-gender differences in entrepreneurial networks' effects on performance. We provide an enriched understanding of the status mechanisms in microcredit groups by demonstrating their effect on performance differences across genders when it comes to the entrepreneur's number of within-group ties as well as by delineating the conditions under which status may become less relevant or even compensated for by individual characteristics. By their nature, entrepreneurial ties are inseparable from gender dynamics. However, our study points to the importance of considering within-gender variance, or else, we may miss opportunities to uncover important factors that lurk behind the network size–performance relationship among female entrepreneurs. In that sense, we hope that this study opens doors for a broader inquiry into a range of factors that may allow entrepreneurs—male and female alike—to better leverage their networks for performance.

Related to practice, our work suggests that microcredit agencies could consider both individual entrepreneurs' and group characteristics when thinking about the composition mechanisms of groups as well as about loan officer assignment. This, of course, invites considerations of the extent to which microcredit agencies should actively shape and manage this process. More broadly, our results suggest to entrepreneurs that not all ties are equally valuable depending on one's own status and the characteristics of the microcontext within which they are embedded. To the extent that individual status shapes the potential that comes from relationship cultivation, female entrepreneurs are particularly advised to think about actively communicating their experiences, which may at least partially compensate for their status deficit. They should also carefully consider the settings in which they choose to invest in, selecting only those that will yield the highest returns.

2. Introduction

A well-established literature supports the importance of networks for entrepreneurship (e.g., Hoang and Antoncic, 2003; Semrau and Werner, 2013; Stam et al., 2013). Personal networks are particularly important for the development of small firms (Maurer and Ebers, 2006). In the early stages after firm formation, personal networks build legitimacy and can facilitate opportunity recognition (Bhagavatula et al., 2010). In later stages, networks support entrepreneurs' efforts to mobilize resources (Batjargal, 2003). While the body of work on entrepreneurial networks cumulatively suggests that personal relationships positively influence entrepreneurs' venture performance, the contingencies of this relationship are still an important area of inquiry (Stam et al., 2013).

Scholarly understanding of the link between personal networks and venture performance is especially in need of further empirical investigation in women's entrepreneurship research (Hanson and Blake, 2009; Watson, 2012). Here, efforts have largely focused on assessing (a lack of) differences in males' and females' networking activities and network characteristics while only implicitly assuming that any differences indeed translate to differences in venture performance (e.g., Aldrich et al., 1989). However, before continuing our efforts to study gender differences in network structure and use, it would be helpful to understand and explicitly test why and when the same network characteristics (e.g., network size) produce similar or different effects on the performance of male and female entrepreneurs. Indeed, early empirical findings from the organizational network literature lead us to expect the impact of ties on performance to differ by gender (e.g., Brass, 1985; Burt, 1992; Ibarra, 1992). Moreover, given the growing recognition in the entrepreneurship literature that networks have contingent value for different entrepreneurs (Maurer and Ebers, 2006; Stam et al., 2013), it is important to understand why and when some females are better able to leverage the same network resources for performance than others.

To pursue the above research goals, we draw on EST (Berger et al., 1972; Ridgeway and Berger, 1986) and empirically examine our hypotheses in the context of microcredit groups. In essence, EST explains how status beliefs in task groups impact the nature of interactions among group members. The theory conceptualizes gender as an important status characteristic that has the potential to influence perceptions of an individual's value in a task group, which subsequently affects the extent of the benefits stemming from group interactions. The theory is especially potent for studying gender in entrepreneurial networks given that entrepreneurship is frequently conceptualized as a male-typed occupation (Baughn et al., 2006; Bruni et al., 2004; Gupta et al., 2009). Moreover, EST enables the exploration of the circumstances under which female entrepreneurs are able to reduce barriers posed by status issues in their ties. Specifically, EST emphasizes two types of boundary conditions: (1) the group context—as determining the relevance of

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