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Does Gender Matter in the Export Performance of International New Ventures? Mediation Effects of Firm-specific and Country-specific Advantages

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ABSTRACT

Based on a sample of 4240 Korean firms, this study explores the relationship between owner gender and export performance of international new ventures (INVs) by investigating four mediating mechanisms: venture capital financing, upstream firm-specific advantages, downstream firm-specific advantages, and country-specific advantages. Our empirical findings are threefold: (1) female-owned ventures are disadvantageous in obtaining access to venture capital, but venture capital financing is not positively associated with their export performance; (2) male-owned ventures achieve better export performance through superior innovation and marketing capabilities (i.e., mediation effects) than their female-owned counterparts; (3) while gender is not associated with the home-region destination of exports, the country destination of exports within the Asia-Pacific region positively affects INVs' export performance.

1. Introduction

This study investigates export performance implications of owner gender in international entrepreneurship (IE). In recent years, women have increasingly been recognized as new leaders of economic development in most developed countries (OECD, 2003). The number of female-owned firms grew by almost 45% between 1997 and 2007 (U.S. Department of Commerce, 2010) accounting for almost 30% of all firms in the U.S. (National Women's Business Council, 2004). They generate more than $900 billion of sales revenue and employ more than 7 million workers in the U.S. every year (U.S. Census Bureau, 2006). Notably, the Global Entrepreneurship Monitor (GEM) on Women and Entrepreneurship concludes that female entrepreneurship is an expanding phenomenon worldwide (Minniti et al., 2005).

Along with the increasing role of women in entrepreneurship in general, the same phenomenon has also been observed in the specific context of IE. International trade has increasingly become an important path for small firms' business growth in the global marketplace, and a new breed of international new ventures (INVs) called *born-globals* have begun operating internationally at the early stage of business development (Oviatt and McDougall, 1994) and looked for instant success from foreign markets without an established market base within their home countries (Moen and Servais, 2002). Female-owned new ventures may not be an exception to this recent trend: depending on the home country of entrepreneurs, from 3% (in developing Asian countries) up

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to 27% (in developed European countries) of the women-owned ventures are reported to conduct business across national borders (Kelley et al., 2013). However, existing research streams in entrepreneurship suggest that women are likely to encounter obstacles in conducting business; hence, the performance of their firms might suffer when compared with their male-owned counterparts, because entrepreneurship is a gendered process (Eddleston and Powell, 2008).

According to a new stream of gender studies based on the notion of 'gendered institutions,' gender bias is not intrinsic in individuals but is constructed via the manner in which institutions function (Nelson et al., 2009). Pathak et al. (2013, p.479) define gendered institutions as patterns of relations in society that tend to move towards systematically treating men and women differently, usually unequally (Mabsout and van Staveren, 2010), and that translate into different expectations and opportunities for men and women. In other words, gendered institutions represent societal structure that may constrain women's behavior more than men's and thus provide an advantage for men as a group. Compared to men, women face various tangible and intangible constraints to plan their lives, to choose their goals, and to make their own choices, inside and outside households, often more so than men (van Staveren, 2013, p.110). As a result, women's opportunities are limited in terms of access to resources as well as their achievement (Narayan, 2005).

The notion of gendered institutions is derived from institutional economics that distinguishes between formal institutions and informal institutions. While the former is embedded in laws and regulations, the latter consists of intangible values and norms of a society (Williamson, 2000; Hodgson, 2006). Both formal and informal institutional frameworks are critical in determining the activities and strategies adopted by entrepreneurs (North, 1990). Specifically, formal gendered institutions refer to codified gendered social values and norms such as inheritance laws, property rights, family registry system, or bank lending policies that may have different impacts on men versus women (van Staveren, 2013). For example, Estrin and Mickiwictz (2011) argue that men would have greater entrepreneurial advantages in countries where property rights are weak. Weak property rights will make entrepreneurs largely rely on informal social networks for resource acquisition and those networks tend to be male-dominated in such countries, putting women at a disadvantage in pursuing entrepreneurship. Female entrepreneurs usually face more difficult challenges than their male counterparts in pursuing innovation, internationalization, and meeting growth expectations because of their smaller and less diverse networks and their dependence on private sources of advice (Kelley et al., 2011). Similarly, banks' lending regulations and policies involving collateral loans may favor men over women when they require a borrower to submit a family registry document to verify its members and residential record. Such a requirement may often restrict women's access to the economic resources needed for entrepreneurship, including capital and finance, if the family registry system typically lists men as heads of the households.

Informal gendered institutions, on the other hand, can be interpreted as a set of non-codified social values and norms and cultural practices that collectively impact men and women in a different manner (van Staveren, 2013, p.110). Stereotyping masculine and feminine categories often results from the influence of informal gendered institutions by "…*ascribing to women and men different abilities*, *attitudes*, *desires*, *personality traits*, *behavior patterns*, *and so on*…" (Agarwal, 1997, p.1). As distinctive roles are expected between men and women in different societies, female entrepreneurship tends to be prevailing in those societies that are more tolerant towards women's participation in economic pursuits beyond the confines of domestic activities.

Despite the recent research stream on the notion of gendered institutions, a comprehensive review of the IE field identifies only a few studies that explore the gender dimension in INVs (Jones et al., 2011). These studies focus on the effects of national gender stereotypes on male versus female entrepreneurs' new firm formation using cross-country comparisons (Shane et al., 1991; Gupta et al., 2009). Due to the dearth of close attention to gender roles at a firm level in the IE, modern theories of multinational enterprises (MNEs) developed in the international business (IB) literature have not been tested yet for male- versus female-owned ventures that aim to expand into foreign countries. It is well known that firms can achieve sustainable competitive advantages by absorbing unique resources and capabilities (Barney, 1991; Wernerfelt, 1984). Internalization theory explains that domestic firms can become successful MNEs when they internalize inefficient markets for intangible innovation and/or marketing activities across countries within their hierarchical structure (Buckley and Casson, 1976, 2009; Dunning, 1973; Hymer, 1976). Dunning's (1988) eclectic paradigm and Rugman's (1981) firm-specific advantages (FSAs) and country-specific advantages (CSAs) framework add a location/country dimension as another important source of MNEs' competitive advantages, since different locations/countries may provide unique business landscapes where MNEs can exploit their internalized resources and capabilities profitably. However, we do not know how new venture owners' gender may affect the accumulation of such resources as FSAs and the choice of certain location/country for their foreign businesses, both of which may result in new ventures having different outcomes from foreign markets.

We attempt to fill this knowledge gap with this study by explaining the observed discrepancy in the export performance of INVs led by owners of different gender at a firm level. Specifically, built on the aforementioned notion of gendered institutions as the theoretical background of this study, we aim to explore the relationship between new venture owners' gender and export performance that may be mediated by (1) venture capital (VC) financing, (2) upstream FSAs, (3) downstream FSAs, and (4) CSAs of the new ventures. The notion of gendered institutions helps focus on the underlying potential mechanisms between owner gender and export performance of new ventures, because INVs' access to venture capitalists' financial resources, their accumulation of R&D and marketing capabilities, and the location selection of foreign sales activities between home versus non-home regions may be institutionalized in different ways depending on whether the owners of new ventures are men or women.

We draw on a large sample of 4240 Korean new ventures, because Korea, as one of the advanced small but open economies in the world, provides an underrepresented but unique context in IE research to explore how the owner gender of INVs can be translated to their export performance in the international markets. Korea's miracle of achieving the rapid industrial growth and development for the past generation has been made possible due to the country's export-driven model of economic