



Contents lists available at ScienceDirect

Journal of Business Research

journal homepage: www.elsevier.com/locate/jbusres

Determinants of women entrepreneurs' firm performance in a hostile environment

Dianne H.B. Welsh^{a,*}, Eugene Kaciak^{b,c}, Rania Shamah^d

^a Bryan School of Business & Economics, The University of North Carolina at Greensboro, Greensboro, NC, USA

^b Goodman School of Business, Brock University, St. Catharines, ON, Canada

^c Dpt. of Quantitative Methods & Information Technology, Kozminski University, Warsaw, Poland

^d Faculty of Commerce, Suez University, Suez Government, Egypt

ARTICLE INFO

Keywords:

Female entrepreneurship
Woman entrepreneur
Firm performance
Hostile environment
Egypt

ABSTRACT

This study examines the determinants of firm performance for women entrepreneurs in the context of an emerging economy affected by a turbulent political and socio-cultural environment. The study draws from the resource-based and institutional-based views embedded in the gender-aware 5M (money, management, market, macro/meso environments, and motherhood) model. A generalized structural equation model is used to analyze data from Egypt, the setting for this study. The study finds a positive relationship between women entrepreneurs' human capital and firm performance. However, no detectable relationship emerges between social capital and firm performance or between women's gender-related personal problems and firm performance. The findings suggest new boundary conditions in the domain of female entrepreneurship in a hostile environment, with important implications for practice and research.

1. Introduction

Most research on women entrepreneurs focuses on developed countries, while limited knowledge exists on women entrepreneurs in emerging economies with inadequate regulations and inefficient systems (Kimosop, Korir, & White, 2016; Mas-Tur, Pinazo, Tur-Porcar, & Sánchez-Masferrer, 2015). Even less research exists on developing countries that have recently undergone dramatic political and socio-cultural unrest, leading to hostile environments for business activity.

This study shows that the current state of female entrepreneurship requires better definitions of new boundary conditions in cases of volatile and hostile dynamic environments. The extant approaches to female entrepreneurship typically invoke the family embeddedness perspective (Aldrich & Cliff, 2003), though this perspective is usually applied in mature and developed economic and socio-cultural settings, such as the United States or Canada. Furthermore, the family embeddedness perspective better explains new business start-ups and their access to resources during the launch phase of the venture rather than the entrepreneurial processes taking place throughout all stages of firm development. Finally, the perspective mainly applies to nuclear families, not to the idiosyncrasies of female entrepreneurship. In particular, the family embeddedness perspective applies, by definition and purpose, to family venture start-ups headed by either male or female

entrepreneurs operating in a stable institutional environment. In response to this lack of gender focus within the family embeddedness perspective, Brush, de Bruin, and Welter (2009) propose a context-dependent 5M (money, management, market, macro/meso environments, and motherhood) model to better account for the real nature and intricacies of the dynamics inherent in female entrepreneurship. However, the 5M model draws from the institutional-based view (IBV), which assumes that institutions are reliable and remain stable over time. As such, the IBV may not be appropriate for less stable contexts found in developing and/or emerging markets. Therefore, Welter and Smallbone (2011) extend the institutional approach and tailor it to the dynamics of emerging economies. In their extension, they focus on the impediments entrepreneurs encountered in the former Soviet Republics, though they do not exclude its usefulness in other challenging environments.

Absent in the extant literature is a systemic approach to understanding entrepreneurial processes in hostile environments experiencing different forms of social unrest, the effects and aftermath of war, and other revolutionary movements prevalent in some countries. That is, no specific or sufficient approach or theory exists to address business operations in these hostile environments. Thus, Welter and Smallbone's (2011) theory for understanding female entrepreneurship must be expanded still further to embrace hostile dynamics. The current study

* Corresponding author.

E-mail addresses: dhwelsh@uncg.edu (D.H.B. Welsh), ekaciak@brocku.ca (E. Kaciak), rania.shamah@suezuniv.edu.eg (R. Shamah).

<https://doi.org/10.1016/j.jbusres.2017.12.015>

Received 18 June 2017; Received in revised form 6 December 2017; Accepted 8 December 2017
0148-2963/ © 2017 Published by Elsevier Inc.

shows that the relationships between variables of interest typically found in the extant models, which are based on the data from mature, stable, or even challenging environments, are not valid in hostile settings. We show that what matters when operating in a hostile environment is *human capital*, not social capital.

To examine women entrepreneurs in a hostile environment, we conduct our study in Egypt, where the Arab Spring, a revolutionary wave of demonstrations, took place in 2011–2012. The economic, political, and cultural environment that Egyptian women entrepreneurs face is unpredictable and constraining for launching and growing a business. In such volatile socio-political environments, the performance and sustainability of women-owned businesses face unique challenges that can negatively affect the business (Al-Dajani & Marlow, 2013).

In line with prevailing views that firm performance should be measured along multiple dimensions (Zhao, Seibert, & Lumpkin, 2010), we use a construct based on four performance-related dimensions: business income, geographic sales expansion, years in business, and firm size. Because women-owned businesses operate in multi-dimensional, multi-layered, and gendered environments, this study adopts a multi-theoretical approach (Meyer, Estrin, Bhaumik, & Peng, 2009) by integrating the resource-based view (RBV) and the IBV within the aforementioned 5 M framework of female entrepreneurship (Brush et al., 2009). Specifically, the RBV incorporates the first three 5M concepts (money, management, and market), while the IBV taps into the institutional aspects of female entrepreneurship—namely, motherhood and the macro/meso environments. To the best of our knowledge, this study is the first to include the RBV and IBV within the framework of the 5 M model.

The structure of the study is as follows: We first present the theoretical framework and hypotheses. Then, we discuss the methodology and results. Finally, we review the limitations of the study, suggest opportunities for further research, and outline our conclusions.

2. Theoretical framework

The 5 M framework seems most appropriate for the study of female entrepreneurs in Egypt, where both resources at the individual and firm levels and the country's institutions exercise a major impact on women's entrepreneurial performance simultaneously. Resources encompass the original, fundamental 3Ms (money, management, and markets) originating from the mainstream economics and management-driven view of entrepreneurship (Bates, Jackson, & Johnson, 2007). This study considers several such resources at the firm and individual levels. These resources are not easily imitated, are firm-specific, and are non-transferable (Eddleston, Kellermanns, & Sarathy, 2008). Therefore, the RBV is a relevant theoretical framework.

Women entrepreneurs in Egypt are also affected by the country's institutions. The economic growth in developing countries is often marked by turbulence, as is the case of Egypt (Hampel-Milagrosa, Loewe, & Reeg, 2015; Roy-Mukherjee, 2015). Given the volatile socio-political nature of this region, the survival and long-term sustainability of women-owned enterprises are unpredictable (Al-Dajani & Marlow, 2013). The national-level policies, culture, laws, and economy define a macro environment, while regional level organizations reflect the meso setting. Finally, macro/meso surroundings intermesh with a woman's family and domestic milieu, which is strongly gender-related and constitutes the last M of the 5M framework, motherhood. Because these institutions are important environmental factors that condition female entrepreneurship, the IBV of the firm is relevant in the discussion of factors affecting firm performance. According to the institutional approach (North, 1990), institutions that are stable and operate efficiently follow the rules of the game in society and comprise formal and informal frameworks. The formal dimension encompasses constitutional, legal, and organizational rules, while informal institutions include codes of conduct, values, and norms in a society. Stability and efficiency of institutions applies to developed and mature systems rather than to

emerging and transition economies, which are characterized by uncertain, ambiguous, and turbulent institutional frameworks (Welter & Smallbone, 2011).

As mentioned, the current study embraces Welter and Smallbone's (2011) extension of the institutional approach, which is tailored specifically to emerging economies. This modification assumes a two-way relationship between institutions and entrepreneurial actions: not only do institutions influence entrepreneurs, but entrepreneurs, through their actions, spur institutional changes. Furthermore, these entrepreneurial reactions to challenging institutional conditions are heterogeneous, depending on the environmental conditions, the firm's characteristics (e.g., firm age, size), and the entrepreneur's background (e.g., managerial skills, education level, networks, other forms of social capital). Welter and Smallbone (2011) suggest that their extension of institutional theory is appropriate for a wider range of contexts, including not only the former Soviet Republics but also other emerging market economies. In adopting this perspective, we extend it even further by including the context of a developing country, Egypt, that not only is undergoing challenging transformations but also is experiencing extraordinary hostile, political, and socio-cultural unrest.

Brush et al. (2009) ground their 5M model exclusively in institutional theory in expanding the original 3M to a 5M model. The current study is the first to suggest integrating the 5M model with the RBV and IBV. Numerous international business scholars repeatedly call for more integration between the RBV and the IBV (e.g., Gaur, Kumar, & Singh, 2014; Meyer et al., 2009), and such integration finds support in research on entrepreneurship (e.g., Yamakawa, Peng, & Deeds, 2008). As Yamakawa et al. (2008, p. 64) succinctly note, “insightful as each of the perspective is, none of them is likely to be strong enough to sustain on its own; rather, it is the combination of their insights that lead to a better and more insightful understanding of the complex phenomenon.” Thus, positioning the 5M model within the two integrated views provides a useful theoretical framework for analyzing women's entrepreneurial processes.

3. Hypotheses development

3.1. Firm performance

The performance of entrepreneurial firms is an important area of theoretical and practical debate, particularly for women-owned businesses (Kimosop et al., 2016). Eddleston et al. (2008) argue that multiple performance measures are warranted because of the underlying multi-dimensionality of the performance construct. Financial performance, market performance, and organizational performance are typical outcomes. This study uses four measures: business revenue, geographic sales expansion, years in business, and firm size. Business revenue is among the most frequent and valid indicators of firm financial performance (Mari, Poggesi, & De Vita, 2016). Geographic sales expansion serves as a proxy for market performance, depicting the entrepreneur's ability to move the business across market boundaries and seize opportunities (Kimosop et al., 2016). Several studies show that the first few years following the start of an enterprise are the most challenging period for its survival (Staniewski, Janowski, & Awruk, 2016). Therefore, this study uses the number of years the firm has been in operation as a proxy for business longevity, which is a reasonable indicator of firm performance because longevity generally indicates that a firm has been successful long enough to avoid liquidation (Hart-Brookshire, 2009) and, as such, is related to firm survival (Zhao et al., 2010). Finally, firm size is another frequently used measure of performance (Jennings & Brush, 2013). We use number of employees to reflect size (Mari et al., 2016; Zhao et al., 2010).

The literature summarizes the importance of various factors for women's entrepreneurial success. These predictors include entrepreneurial resources (e.g., human capital), institutions (e.g., social capital), and socio-cultural factors (e.g., gender-related personal

Download English Version:

<https://daneshyari.com/en/article/7425066>

Download Persian Version:

<https://daneshyari.com/article/7425066>

[Daneshyari.com](https://daneshyari.com)