FIVE COMMON MISCONCEPTIONS ABOUT WOMEN AND ENTREPRENEURSHIP

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Women entrepreneurs represent a critical resource for the Canadian economy and society as a whole. However, women continue to remain underrepresented despite being the fastest growing segment of entrepreneurs worldwide.[1] This underrepresentation of women in entrepreneurship is harmful for both the economy and progress towards equality. As illustrated by a recent study by the Boston Consulting Group,[2] if women participated in entrepreneurship as much as men do, global GDP would rise by an estimated 3%-6%, adding $2.5-$5 trillion to the global economy. In Canada, raising participation of women in the economy to the level of that of men would add an estimated $150 billion to GDP.[3] These important considerations have led the Government of Canada to take action. More specifically, the government launched the Women Entrepreneurship Strategy[4] (WES) in 2018. The strategy committed an overall $5-billion investment to support women in entrepreneurship, with the goal of doubling the number of women-owned businesses by 2025; a number that

1 Elam, A. B. Brush, C. G., Greene, P. G., Baumer, B., Dean, M. & Heavlow, R. (2019). *Global Entrepreneurship Monitor 2018/19 Women's Entrepreneurship Report*. www.gemconsortium.org/file/open?fileId=50405

2 www.bcg.com/publications/2019/boost-global-economy-5-trillion-dollar-support-women-entrepreneurs.aspx

3 www.ic.gc.ca/eic/site/107.nsf/eng/home

4 www.ic.gc.ca/eic/site/107.nsf/eng/home

has increased by 50% between 2014 and 2017, signalling that, while a challenging goal, doubling the number is not unrealistic.[5]

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Fuelled by this momentum, this article aims to contribute to the debate on making entrepreneurship more gender inclusive by offering evidence-based insights grounded in research on entrepreneurial intent and gender norms to help address common misconceptions about motivation, success, funding capabilities, risk-taking, and established networks about women and entrepreneurship. By shedding light on these persistent misconceptions, we hope to further spur this important debate and encourage sustainable and concrete transformational efforts toward greater gender inclusivity in entrepreneurship moving forward.

MISCONCEPTION 1: "WOMEN ARE NOT MOTIVATED TO BECOME ENTREPRENEURS"

One of the preeminent misconceptions about women and entrepreneurship is that (1) "women are not motivated to become entrepreneurs." While it is true that women are less likely than men to start a business, the difference is not as striking as one may assume. For example, while women only own 15.6% of Canada's small- and medium-sized businesses in 2017, women accounted for 37% of self-employed Canadians in 2019,[6] a significant number that signals a strong entrepreneurial interest. Women are also highly likely to be self-employed without describing themselves as entrepreneurs, which largely decreases of the proportion of entrepreneurs who are women.[7] Additionally, the language surrounding entrepreneurship tends to be more masculine,[8,9] with words describing entrepreneurs typically being "risk taker," "achievement-oriented," and "confident." When thinking about great self-made entrepreneurs, many will be able to quickly name men such as Bill Gates, but far fewer will think of Sara Blakely even if given time to do so. Taken together, the masculine norms and characteristics surrounding entrepreneurship contribute to misconceptions about women as being less suited to be entrepreneurs, ultimately driving women away from pursuing entrepreneurship.

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MISCONCEPTION 2: "WOMEN ARE NOT SUCCESSFUL ENTREPRENEURS"

Another misconception is that (2) "women are not successful as entrepreneurs." As shown by a 2018 study by the Boston Consulting Group,[10] startups founded or cofounded by women actually tend to perform better over time, generating 10% higher revenue over a five-year period. Part of the explanation for the misconception about women's limited entrepreneurial success lies in the masculine norms surrounding entrepreneurship, whereby entrepreneurial ventures mainly receive attention as a function of how large, profitable, high growth, and internationally connected they are. These characteristics are more common in male-run ventures, and as such, the current metrics exacerbate the gender imbalance.[11] Research has shown that the myth surrounding underperforming women entrepreneurs stems from the disconnection between a traditionally more masculine definition of entrepreneurial success and the different entrepreneurial motivations that women tend to have, in terms of the types of goals and

5 Women Entrepreneurship Knowledge Hub (2020). The State of Women's Entrepreneurship in Canada 2020. Toronto: Diversity Institute, Ryerson University.

6 Women Entrepreneurship Knowledge Hub (2020). The State of Women's Entrepreneurship in Canada 2020. Toronto: Diversity Institute, Ryerson University.

7 Women Entrepreneurship Knowledge Hub (2020). The State of Women's Entrepreneurship in Canada 2020. Toronto: Diversity Institute, Ryerson University.

8 De Bruin, A., Brush, C.G. & Welter, F. (2006). Introduction to the special issue: towards building cumulative knowledge on women's entrepreneurship. Entrepreneurship Theory and Practice, 30(5), 585-593.

9 Winn, J. (2005). Women entrepreneurs: can we remove the barriers? *The International Entrepreneurship and Management Journal*, 1(3), 381-397.

10 www.bcg.com/publications/2018/why-women-owned-startups-are-better-bet.aspx

11 Marlow, S. & McAdam, M. (2013). Gender and entrepreneurship: advancing debate and challenging myths; exploring the mystery of the under-performing female entrepreneur. *International Journal of Entrepreneurial Behavior and Research*, 19 (1), 114-124.

industries they prioritize.[12] For example, women have been shown to focus more on socioemotional motives, including an emphasis on employee and family relationships and the ability to have a positive societal impact, and they have a higher presence in consumer service industries where profitability is lower and investors are less likely to place their money.[13]

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These different motives and priorities help explain why women are more likely to run smaller businesses with lower profitability and growth relative to men, but it is critical to emphasize that lower performance is not the same as under-performance. That is, traditional measures of success have been developed for male-led entrepreneurship, and, as a result, we need to consider other measures of success, such as social impact, to capture the effects of women who pursue non-traditional entrepreneurial paths. The point here is not to minimize the low number of women who are business owners, nor to ignore women entrepreneurs who start innovative and high growth ventures, but rather to highlight the need to incorporate a broader conceptualization of entrepreneurship in general and of entrepreneurial success in particular. By measuring and valuing a more gender-inclusive view of entrepreneurship and expanding what it means to be successful, there is a lower chance that we will miss the opportunity of supporting more women pursuing entrepreneurship at all stages of growth and profitability, using business models that suit them and their desires, in all types of industries.

MISCONCEPTION 3: "WOMEN ARE NOT CAPABLE OF SECURING ENOUGH FUNDING FOR THEIR BUSINESS"

Another misconception about women entrepreneurs is that (3) "women are not capable of securing enough funding for their business." While women are less likely to receive financial backing as entrepreneurs, research does not suggest that this is due to their lack of capabilities.[14] Rather, scholars have found that women are less likely to ask for financial funding, especially larger amounts, either because they do not require it or because they are discouraged from applying due to the fear of rejection stemming from the masculine stereotypes surrounding entrepreneurship. Indeed, research shows that, when women do ask for financial backing, they are asked different types of questions, and that these questions hold them back relative to men.[15] That is, finance providers tend to ask women prevention-focused questions that concentrate on their potential failures, while men are asked promotion-focused questions that centre on potential and expected success. Not surprisingly, women's prevention-focused questions do not instill confidence in their entrepreneurial endeavours, which helps explain why they tend to receive less funding. Overall, this misconception that women's lack of financial backing is due to their own inability to be successful as entrepreneurs is harmful as it does not properly address the reason for this financial imbalance. Rather, there is a clear need for eliminating gender biases in the financial allocation process, particularly with regard to the types of evaluations that are put in place in order to encourage more women entrepreneurs to request the appropriate funding support.

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12 Marlow, S. & McAdam, M. (2013). Gender and entrepreneurship: advancing debate and challenging myths; exploring the mystery of the under-performing female entrepreneur. *International Journal of Entrepreneurial Behavior and Research*, 19 (1), 114-124.

13 Eddleston, K. A., & Powell, G. N. (2008). The role of gender identity in explaining sex differences in business owners' career satisfier preferences. *Journal of Business Venturing*, 23(2), 244-256. Jennings, J. E. & Brush, C. G. (2013). Research on women entrepreneurs: Challenges to (and from) the broader entrepreneurship literature? *Academy of Management Annals*, 7(1), 661-713.

14 Orser, B.J., Riding, A.L. & Manley, K. (2006). Women entrepreneurs and financial capital. *Entrepreneurship Theory and Practice*, 30(5), 643-665.

15 Kanze, D., Huang, L., Conley, M. A., & Higgins, E. T. (2018). We ask men to win and women not to lose: Closing the gender gap in startup funding. *Academy of Management Journal*, 61(2), 586-614.

MISCONCEPTION 4: "WOMEN DO NOT BECOME ENTREPRENEURS BECAUSE THEY ARE RISK AVERSE"

Women's attitude toward risk and failure is another misconception in entrepreneurship: (4) "women do not become entrepreneurs because they are risk averse." Certainly, there is some research that points to this misconception being true, although it is by no means a "trait" that is typical of most women[16,17]. We suggest two possible explanations for this. First, it is due to the way women are socialized in line with cultural norms and expectations.[18] For example, studies indicate that men tend to be overconfident and more optimistic than women with regard to the likelihood of achieving high gains. Second, this misconception is often due to the definition of risk and the stories we are exposed to.[19] We are more used to reading accounts about entrepreneurs taking financial risk (more typical of men) and less about risk relating to standing up for what you believe is right or choosing the ethical route when faced with a dilemma, even if this means lower financial success. In general, women tend to take the latter type of risk more than men do. Therefore, we need to address this cultural bias and take a broader view of entrepreneurial risk (in line with a broader view of entrepreneurship, as advocated above) that goes beyond the purely financial one.

MISCONCEPTION 5: "WOMEN DO NOT ESTABLISH THE RIGHT NETWORKS TO BECOME SUCCESSFUL ENTREPRENEURS"

A final misconception we would like to address here is that (5) "women do not establish the right networks to become successful entrepreneurs." Research has shown that women generally develop more formal mentoring and networking relationships (i.e., with the assistance or intervention of external organizations) than men, who tend to have more informal (i.e., spontaneous) ones alongside the formal ones.[20] Compared to informal mentoring, studies have suggested that formal mentoring provides fewer benefits in terms of career development and psychosocial functions (such as developing a sense of professional self and providing counselling or role modelling) and is generally less effective.[21] However, while research indicates that informal mentoring is more effective than the formal type, there is no evidence to suggest that women entrepreneurs' less developed informal networks are a result of preferences or inability to connect informally with other individuals. If women are less likely to engage in informal mentoring, it is rather because women are less likely to know other women entrepreneurs personally since there are fewer women than men entrepreneurs (and women tend to seek out other women for support).[22] Despite this limitation, women are actually more active than men in supporting other women. A report by Catalyst indicated that 65% of high potential women who received career development support later actively supported other women in their career (compared to only 56% of men).[23] Also, formal networks have been shown to work (despite research pointing to informal networks being more effective): for example, an Ernst & Young survey concluded that 27% of women who participated in teaming/mentoring programs had "easy" access to funding compared to 19% of women entrepreneurs overall.[24]

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16 Jianakoplos, N.A., & Bernasek, A. (1998). Are women more risk averse? *Economic Inquiry*, 36(4), 620-630.

17 Caliendo, M., Fossen, F. M., & Kritikos, A. S. (2009). Risk attitudes of nascent entrepreneurs – new evidence from an experimentally validated survey. *Small Business Economics*, 32(2), 153-167.

18 Ragins, B. R. & Cotton, J. L. (1991). Easier said than done: Gender differences in perceived barriers to gaining a mentor. *Academy of Management Journal*, 34(4), 939-951.

19 Ragins, B. R. & Cotton, J. L. (1999). Mentor functions and outcomes: A comparison of men and women in formal and informal mentoring relationships. *Journal of Applied Psychology*, 84(4), 529-550.

20 www.ey.com/Publication/vwLUAssets/EY_Its_who_you_know_Women_entrepreneurs_and_the_impact_of_networks/$FILE/EY-Its-who-you-know-Women-entrepreneurs.pdf

21 www.catalyst.org/research/high-potentials-in-the-pipeline-leaders-pay-it-forward/

22 www.ey.com/Publication/vwLUAssets/EY_Its_who_you_know_Women_entrepreneurs_and_the_impact_of_networks/$FILE/EY-Its-who-you-know-Women-entrepreneurs.pdf

23 McAdam, M., Harrison, R. T., & Leitch, C. M. (2019). Stories from the field: Women's networking as gender capital in entrepreneurial ecosystems. *Small Business Economics*, 53(2), 459-474.

24 Ajzen, I. 1991. The theory of planned behavior. *Organizational Behavior and Human Decision Processes*, 50(2): 179-211.

Having said that, the focus on all-woman networks needs to be addressed as it can ghettoize women entrepreneurs as opposed to giving them access to a more diverse network.[25] In sum, women entrepreneurs have fewer opportunities to network and find mentors informally, but this is due not to their preference for this type of networking nor to an inability to create informal ties with other individuals. It is due, rather, to an overall lack of women entrepreneurs with whom to connect informally. In addition, when women join formal networks, they greatly benefit from this support and tend to "pay it forward" to help other women entrepreneurs. Therefore, rather than discounting formal networking as being less effective than informal networking, we need to continue encouraging women to enter entrepreneurship because, as the number of women entrepreneurs increases, we can expect there to be additional opportunities to network informally as well. Both types of networking clearly need to be encouraged in order to transfer expertise, build reputation, access funding, and generally provide tangible and intangible resources to women entrepreneurs.

With the goal of contributing to the current debate about the need for more gender inclusivity in entrepreneurship, this article sheds light on five critical misconceptions about women and entrepreneurship that are harmful to women's motivation and ability to succeed as entrepreneurs. These misconceptions have emerged due to the masculine nature of the entrepreneurial ecosystem, and, for that reason, until we are able to promote a more inclusive view of entrepreneurship, the present context is likely to continue to discourage women entrepreneurs. To accomplish this, we – researchers and practitioners alike – need to engage in efforts toward change targeting attitudes, beliefs, and social norms surrounding entrepreneurship.

According to one of the most influential theories predicting entrepreneurial behaviour, the Theory of Planned Behaviour,[26] individuals' motivation toward entrepreneurship stems from three factors. Individuals are more likely to want to become entrepreneurs if:

- they have a positive attitude toward entrepreneurship;
- they believe they have the ability to become entrepreneurs (based on past experiences and anticipated obstacles); and
- they believe others around them approve of them as entrepreneurs.

Considering the role of the social context in shaping individuals' beliefs and attitudes, it is clear that current gender biases work against all three of these factors for women and are thus particularly detrimental to women's entrepreneurship.

More specifically, and as illustrated in the common misconceptions described above, gender biases are likely to:

- reduce women's positive attitudes toward entrepreneurship;
- make them less confident in their capabilities as entrepreneurs; and
- make them question others' support of them as entrepreneurs relative to men.

Therefore, if we want to encourage more women to enter and succeed in entrepreneurship, we need to address the underlying gender biases currently holding women back.

While eradicating gender bias in the short run is an unrealistic task, the Canadian Government's Women Entrepreneurship Strategy is pushing us toward having a constructive dialogue about what is working and what is not when it comes to the promotion of more women entrepreneurs. Its provision of financial backing and educational support for women entrepreneurs is also critical in this regard. Having said that, we need to keep in mind that, to increase entrepreneurial behaviour, research points to the importance of changing attitudes, beliefs, and social pressures more broadly. Further effort is thus imperative to promote women's attitudes and beliefs about the desirability of becoming entrepreneurs, including more attention to how we can eradicate biases creating obstacles in the current educational, social, and financial systems. By offering evidence-based insights into commonly held misconceptions about women as entrepreneurs, we hope to highlight what some of these obstacles are. More specifically, we have illustrated the need to measure entrepreneurship and entrepreneurial success in a more comprehensive way to ensure we support more women who tend to have smaller businesses with fewer employees and with various objectives. For example, challenging stereotypes which associate entrepreneurship with technology and ensure there is support in other sectors where women are more likely to be found – services, retail, hospitality – is critical. Additionally, it is important to recognize that women entrepreneurs are highly diverse and no one size fits all. We have emphasized the need for financial providers to avoid the use of gender-biased questions and evaluations to avoid missing

25 McAdam, M., Harrison, R. T., & Leitch, C. M. (2019). Stories from the field: Women's networking as gender capital in entrepreneurial ecosystems. *Small Business Economics*, 53(2), 459–474.

26 *Ajzen, I. 1991. The theory of planned behavior. Organizational Behavior and Human Decision Processes, 50(2): 179–211.*

opportunities in funding women's businesses. Prospective entrepreneurs should be evaluated according to the same criteria, with the same questions. We have also encouraged a debate aimed at broadening society's view of entrepreneurial risk taking by pointing out that the situation is considerably more nuanced than simply saying, "men entrepreneurs are risk takers and women entrepreneurs are risk averse". Lastly, we have advocated for continued support for formal networking opportunities, despite evidence pointing to the greater effectiveness of informal networking, at least until women have access to a greater pool of other women (and men) entrepreneurs who can act as informal mentors, supporters, and sponsors. Overall, we encourage policymakers, educators, and entrepreneurial support organizations to address these gendered challenges to help create impactful and sustainable change for more gender inclusivity among Canada's entrepreneurs.