



## Explaining preferences and actual involvement in self-employment: Gender and the entrepreneurial personality

Ingrid Verheul<sup>a,c,\*</sup>, Roy Thurik<sup>b,c</sup>, Isabel Grilo<sup>d,e</sup>, Peter van der Zwan<sup>b</sup>

<sup>a</sup> Rotterdam School of Management, Erasmus University Rotterdam, P.O. Box 1738, 3000 DR Rotterdam, The Netherlands

<sup>b</sup> Erasmus School of Economics, Erasmus University Rotterdam, Centre for Advanced Small Business Economics (CASBEC), P.O. Box 1738, 3000 DR Rotterdam, The Netherlands

<sup>c</sup> EIM Business and Policy Research, P.O. Box 7001, 2701 AA Zoetermeer, The Netherlands

<sup>d</sup> Directorate General for Economic and Financial Affairs, European Commission, B-1049 Brussels, Belgium

<sup>e</sup> CORE, Université catholique de Louvain, Louvain-la-Neuve, Belgium

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### ABSTRACT

This paper investigates an essential aspect of the entrepreneurial personality: why women's self-employment rates are consistently lower than those of men. It has three focal points. It discriminates between the preference for self-employment and actual involvement in self-employment using a two (probit) equation model. It makes a systematic distinction between different ways in which gender influences the preference for and actual involvement in self-employment (mediation and moderation). It includes perceived ability as a potential driver of self-employment next to risk attitude, self-employed parents and other socio-demographic drivers. A representative data set of more than 8000 individuals from 29 countries (25 EU Member States, US, Norway, Iceland and Liechtenstein) is used (the 2004 Flash Eurobarometer survey). The findings show that women's lower preference for becoming self-employed plays an important role in explaining their lower involvement in self-employment and that a gender effect remains that may point at gender-based obstacles to entrepreneurship.

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### 1. Introduction

Now that it is widely established that entrepreneurship is important for improving economic growth,<sup>1</sup> policy-makers have been searching for ways to encourage groups of individuals that are underrepresented in the entrepreneurial population to start-up businesses (European Commission, 2002). In this quest for the entrepreneurial personality gender issues play a central role. Women are seen as an important potential resource for communities and regions aiming to expand their economies. Globally, women are less likely than men to behave entrepreneurially, whether this is measured in terms of newly founded or established businesses (Minniti, Arenius, & Langowitz, 2005; Reynolds, Bygrave, Autio, Cox, & Hay, 2002).

Separating the different stages of entrepreneurship, such as the cognitive and behavioral stages, enables us to gain insight into the question of why some people become entrepreneurs and others do not (Baron, 2004). The decision to become an

\* Corresponding author. Tel.: +31 104081422.

E-mail addresses: [iverheul@rsm.nl](mailto:iverheul@rsm.nl) (I. Verheul), [thurik@ese.eur.nl](mailto:thurik@ese.eur.nl) (R. Thurik), [isabel.grilo@ec.europa.eu](mailto:isabel.grilo@ec.europa.eu) (I. Grilo), [vanderzwan@ese.eur.nl](mailto:vanderzwan@ese.eur.nl) (P. van der Zwan).

<sup>1</sup> See Carree and Thurik (2003) and Van Praag and Versloot (2007) for overviews of studies investigating the relationship between entrepreneurship and economic growth. See Thurik (2009) for a discussion of policy issues.

entrepreneur is traditionally seen as an occupational decision with two outcomes: to engage in entrepreneurial activity or to refrain from it. This 'static' perspective is challenged by a 'dynamic' approach that views entrepreneurship as a process consisting of several stages (Reynolds, 1997). For example, one can discriminate between pre-birth, birth, and post-natal stages of formation, where pre-birth is often referred to as latent or nascent entrepreneurship (Blanchflower, Oswald, & Stutzer, 2001; Masuda, 2006; Van Gelderen, Thurik, & Bosma, 2005).<sup>2</sup> These stages of entrepreneurship may again have different antecedents (Davidsson & Honig, 2003; Grilo & Thurik, 2005b, 2008; Van der Zwan, Thurik, & Grilo, 2010).

To understand why women are less likely to engage in entrepreneurial activity, one should investigate how they perform at these different stages of the entrepreneurial process and determine at what stage women start to lag behind and why. Not only are women less likely to become involved in entrepreneurship, but they also appear less interested in entrepreneurship (Blanchflower et al., 2001; Grilo & Irigoyen, 2006; Grilo & Thurik, 2005a, 2008). This lower preference for entrepreneurship among women may partially explain their lower level of entrepreneurial activity, suggesting that fostering female entrepreneurship should focus not just on the action stages of entrepreneurship but also on earlier attitudinal and decision stages.

Hence, to establish to what extent women's relatively low level of participation in entrepreneurial activity is driven by their lower preferences for entrepreneurship or, alternatively, by other factors (such as those related to a lower ability to become an entrepreneur), we investigate the antecedents of entrepreneurial preferences and entrepreneurial activity for both women and men. We link latent to actual entrepreneurial activity and examine how gender influences the relationship between these two stages. The entrepreneurial process is treated as a two-step procedure: the cognitive stage of 'wanting it' and the behavioral stage of 'doing it'.

Most studies investigating gender effects on entrepreneurship include gender as a dummy variable. Although this approach has its merits, it does not provide us with information on the origin of gender differences. By distinguishing between mediation and moderation effects<sup>3</sup> on the decision and action stages of entrepreneurship, we aim to find out whether the lower female entrepreneurial activity rate can be attributed to a lower preference of women for becoming entrepreneurs or, alternatively, to the existence of gender differences with respect to other (ability) factors that influence engagement in entrepreneurial activity.

In sum, the contribution of the current paper consists of the distinction between a cognitive stage (latent entrepreneurship) and a behavioral stage (actual involvement in entrepreneurship) and the link between both stages. This distinction has largely been absent in current female entrepreneurship research. It provides us with new insight into whether women's lower level of activity in entrepreneurship is driven by a lower willingness and/or ability levels. Additionally, although distinguishing between mediation and moderation effects in the area of gender and entrepreneurship is not new (Collins-Dodd, Gordon, & Smart, 2004; Verheul & Thurik, 2001), testing for such effects is novel within the present context: that of the latent and active stages of the entrepreneurial process.

Our model for explaining entrepreneurial behavior is inspired by Ajzen's (1991) Theory of Planned Behavior (TPB), which links behavioral intentions to actual behavior. In the next section, we introduce our conceptual framework. We then discuss gender differences with respect to the variables in our framework. The aim is to establish whether the impact of a variable on self-employment is different for women and men (moderation effect) and/or whether a variable has a different value for women and men (mediation effect). Subsequently, we introduce our model and discuss how we test for these gender effects. Finally, we present and discuss the results of the analysis and give suggestions for further research and policy. Recent data from 28 European countries, benchmarked with US data, guarantees not just the wide applicability of the results but also to detect specific country differences. Throughout the present paper, we will use the terms entrepreneurship and self-employment interchangeably.<sup>4</sup>

## 2. Explaining entrepreneurial behavior

### 2.1. Linking preferences and perceived ability to actions

Our study focuses on the "immediate antecedents of choice" as proposed by Shaver and Scott (1991). Before engaging in entrepreneurial behavior, individuals will ask themselves two questions: "Can I do it?" and "Do I want to do it"? The answers to these questions ultimately determine an individual's commitment to starting a business. They represent willingness and ability to become an entrepreneur, both of which have been considered important in determining the 'supply of entrepreneurs' (Knight, 1921, 1971, pp. 282–283). For example, summarizing the literature on the interface between cognition and entrepreneurship, Baron and Ward (2004, p. 555) argue that in addition to arrangement cognitions (beliefs about the resources needed to engage in entrepreneurial activity), there are willingness cognitions (beliefs about commitment to new venture creation) and ability cognitions (beliefs about the knowledge, skills and capacities necessary to create a venture).<sup>5</sup>

<sup>2</sup> Latent and nascent entrepreneurship may be regarded as two different stages, where latent entrepreneurship (hidden or potentially existing but not yet realized) is visible in people who are willing and able to become entrepreneurs but have not yet decided to start a business, while nascent (emerging) entrepreneurship refers to individuals who have made a decision and are preparing and undertaking efforts to create a new venture.

<sup>3</sup> For a discussion of moderation and mediation effects, we refer to James and Brett (1984) and Baron and Kenny (1986).

<sup>4</sup> Self-employment does not preclude one's having employees.

<sup>5</sup> The role of willingness and perceived ability in the decision to become self-employed has been investigated empirically in several studies (Van Praag and Van Ophem, 1995; Krueger, Reilly, & Carsrud, 2000; Kolvareid & Isaksen, 2006).

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