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When stereotypical gender notions see the light of day, will they burst? Venture capitalists' gender constructions versus venturing performance facts

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A B S T R A C T

Although often discussed, there has been limited effort to match venture capitalists' construction of gender notions with specific facts about the entrepreneurs' venturing activities. This study shows how stereotypical gender notions of both men and women entrepreneurs are embedded in venture capitalists' assessments and analyses as well as explores whether or not these notions have substance based on actual performance. Drawing on interview data and statistical analysis of objective key performance information from accounting reports, we identify four myths in the evaluations of 126 venture capital applications for governmental capital that do not have any significant empirical substance. We discuss these findings' implications for the study of myths in women's entrepreneurship.

1. Introduction

Financial resources are essential for engaging in entrepreneurial activity, which has led many researchers to explore entrepreneurial finance distribution processes, including the effects of gender inequality in these processes. The vast majority of these studies focusing on gender equality show that women entrepreneurs struggle to obtain equal access to finance compared to their male counterparts. For several years in a row, Sweden has ranked number one on the EU Gender Equality Index. However, statistics show that women-owned businesses, which account for one-third of Swedish businesses, are not granted proportional governmental venture financing as men-owned businesses. In fact, women-owned businesses receive much less: only 13–18% of government funding. This percentage is remarkable since Swedish government venture capitalists have to adhere to national and European equality regulations when making decisions of which entrepreneurs to finance.

In the same way, previous studies have found that despite similar efforts among women and men entrepreneurs in seeking funding, women experience greater difficulties in obtaining funding for their ventures (Brush et al., 2006; Eddleston et al., 2016; Orser et al., 2006; Verheul and Thurik, 2001). Research has suggested that financiers evaluate men entrepreneurs more favorably than women entrepreneurs and that financiers perceive women-owned ventures to be less legitimate and riskier investments than those owned by men (Greene et al., 2001; Becker-Blease and Sohl, 2011). Research has linked such perceptions to individuals' tendency to characterize entrepreneurship as a masculine domain (Bardasi et al., 2011). Scholars suggest that financiers' gender perceptions stem from the fact that most high-profile entrepreneur role models are men (Ahl and Marlow, 2012), and financiers tend

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to believe that men are more entrepreneurial and growth-oriented than women (Bird and Brush, 2002; De Bruin et al., 2007; Eddleston et al., 2016). These myths/notions held by financiers regarding women entrepreneurs and their venturing associate with the financing bias. To date, researchers have tried to debunk these myths/notions with national statistics on women's venturing (e.g., Brush et al., 2001; Gatewood et al., 2009). Although we have gained important insights from this line of research, there are still important pieces missing. First, research on gendered myths/notions has focused on debunking myths about women but has missed debunking myths about men. Meanwhile, the largest investments are made in men entrepreneurs' ventures (Brush et al., 2014), and we lack an understanding of what notions underlie such financing discrepancy. By investigating myths surrounding both women and men entrepreneurs, we stand a better chance of advancing knowledge of gender in entrepreneurship. Second, to our knowledge, no previous study has matched financiers' construction of gender notions with specific facts about the same entrepreneurs' venturing activities being assessed. Expressed differently, specific statistics linked to the settings where the gender notions are constructed have, to our knowledge, not been used. With statistics specific to these settings, we are more likely to dispel discriminatory gender notions. Consequently, drawing on role congruity theory, we reveal stereotypical notions constructed by Swedish venture capitalists about women and men entrepreneurs who applied for governmental finance, and we challenge these stereotypical notions with counter facts from annual reports detailing women's and men's venturing performance.

2. A brief overview of role congruity and gender stereotypes in financing entrepreneurship

When financiers assess entrepreneurs applying for finance, they try to categorize the entrepreneurs and their venturing based on their particular characteristics. In doing so, they construct meaning of entrepreneurs' venturing to understand the investment potential.

As gender is by far the strongest basis to categorize individuals, it is likely that the entrepreneurs' gender will be a strong factor in predictions of their venturing potential (Fiske et al., 1991; Stangor et al., 1992; van Knippenberg et al., 1994). Consequently, and in line with role congruity theory, notions about women and men are automatically activated in financiers' minds when they identify the gender of an entrepreneur they are assessing (Banaji and Hardin, 1996; Blair and Banaji, 1996; Eagly, 1987; Eagly et al., 2000). While women and men are expected to behave in ways that "match" their gender roles (Eagly and Karau, 2002; Balachandra et al., 2017), there is an incongruity between the behavior expected of women and the strongly masculine behaviors expected in successful entrepreneurship (e.g., Glick and Fiske, 1996; Spence and Helmreich, 1978; Cliff et al., 2005; Williams and Best, 1990). Women entrepreneurs thus likely embody myths regarding the incompatibility between being a woman and achieving venture success, which are transferred into financiers' decision making and can by default make financiers reluctant to invest in women's ventures (García and Welter, 2013; Lewis, 2006 Malmström et al. 2017a, 2017b). Women entrepreneurs may therefore face difficulties in gaining credibility as entrepreneurs because different standards are used to evaluate their performance (Ahl, 2006; Bruni et al., 2004; Eagly and Karau, 2002; Gupta et al., 2009).

While early studies focused on identifying and exploring general assumptions about women entrepreneurs and their ventures as well as finding the "truth" behind such assumptions by comparing women and men entrepreneurs as well as their ventures, newer research has advanced the discourse by focusing on dispelling myths with facts, such as national statistics on women's ventures (Brush et al., 2001). Some of the more common myths that have been challenged with facts include the notions that women's ventures underperform (Marlow and McAdam, 2013; Zolin et al., 2013), women are risk averse (Marlow, 2015; Shapiro et al., 2015), and women's ventures require less funding (Gatewood et al., 2009). However, there is a lack of empirical evidence covering the construction of stereotypical notions of both women *and* men and a lack of empirical insights into counter facts tied to a specific decision context in which stereotypical gender notions are constructed. By challenging notions performed in a group of financiers with facts of actual venturing performance, we may be able to see these notions in their true colors.

3. Method

This study combines qualitative methods for studying governmental venture capitalists' construction of stereotypical gender notions in their assessment work with quantitative methods for testing these notions against performance facts using accounting information. We designed our study to match governmental venture capitalists' specific construction of notions regarding women's and men's venturing with venturing performance data of the exact same women and men extracted from their annual reports. The advantage with the governmental venture capitalist data used for this paper is that it addressed targeted calls for similar types of venturing and ensures sample homogeneity. We performed our analyses in two steps: first, we conducted qualitative content analyses of interviews with governmental venture capitalists, and second, we conducted quantitative statistical analyses comparing ventures on different dimensions.

3.1. Data collection and analyses

We studied how 11 Swedish governmental venture capitalists (four women and seven men) from two governmental organizations in Sweden constructed notions of gender in association with their assessments of 126 venture applications, of which 43% were owned/led by women and 57% were owned/led by men. The assessment process relied on written material, such as a standard application form filled in by the entrepreneur, and additional standard documents, such as annual reports and product folders. There were no oral pitches in this process. First, we collected data through interviews with the venture capitalists about their assessment work for the 126 venture applications. Our general set of questions were "What type of ventures do you aim to finance?"; "How much