The influence of human capital factors and context on women's entrepreneurship: Which matters more?

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ABSTRACT

This paper explores whether human capital factors (education and perceived capabilities) or contextual factors (economic and political settings) explain differential start-up rates between men and women entrepreneurs, connecting data from the Global Entrepreneurship Monitor (GEM) with the World Economic Forum Global Gender Gap. Results show that the effects of economic participation and entrepreneurship specific human capital (perceived capabilities) both play a role influencing the start-up rates of women entrepreneurs.

1. Introduction

An estimated 329 million women are starting or running businesses in 83 economies across the globe, according to the Global Entrepreneurship Monitor (GEM) (Kelly et al., 2015). While most of these countries report lower start-up rates among women compared to men, in 11 of these economies, women were as likely, or more likely to be entrepreneurs than their male counterparts (El Salvador, Brazil, Vietnam, Indonesia, Malaysia, The Philippines, Zambia, Nigeria, Uganda, Ghana and Switzerland), representing a slight increase since 2012 (Kelly et al., 2015). Because entrepreneurship is generally recognized as a driver of economic growth and societal well-being, policymakers seek means of encouraging and supporting women entrepreneurs as essential contributors (Brush and Greene, 2016). In the GEM data set entrepreneurs are defined as those who are starting or already running a new business that they will own and manage, alone or with others, including self-employment (Kelly et al., 2015).

Research at a micro level has examined various individual human capital factors and their influence on differential start-up rates of men and women entrepreneurs, while macro approaches study the effects of economic, political and cultural factors (Elam and Terjesen, 2010). Fewer studies simultaneously examine the impact of human capital and institutional context on women's start-up rates across different regions and economic development levels. In other words, to what extent do context and/or individual factors explain the differences in start-up rates of men and women entrepreneurs? We examine the differential effects of human capital factors (gender parity in educational attainment and perceived capabilities) and contextual factors (gender parity in economic participation and political empowerment) on men's and women's entrepreneurial activity around the world using a macro-level approach.

Results show that parity between men and women in perceived capabilities along with parity in economic participation are both significant in influencing parity relative to early stage entrepreneurship, established business activity and early stage opportunity driven entrepreneurship. The findings of this research extend prior results on the relationship between women's entrepreneurship rates and the influence of contextual factors. Therefore, development programs building upon the promotion of women's entrepreneurship in different economies may benefit from linkages promoting all aspects of women's workforce participation.

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2. Hypotheses

2.1. Human capital

Human capital resources, such as education, experience, attitudes, beliefs and perceptions, are the most important resources a nascent entrepreneur brings to an emerging venture (Becker, 1964; Brush et al., 2001). Studies show that greater amounts of human capital are positively related to new venture start up, survival and performance (Cooper and Gimeno-Gascon, 1992; Millan et al., 2014). Klyver and Schenkel (2013) examined a range of human capital variables, drawing on GEM data in 41 countries, and finding that human capital, measured as formal education, prior entrepreneurial experience, and self-efficacy in the form of capability perceptions, is positively associated with nascent entrepreneurship. Human capital can therefore represent elements that are objective and observable, as in formal education, or those that are subjective and internal, such as self-perceptions.

Formal education may assist in the accumulation of explicit knowledge leading to useful skills for entrepreneurs (Davidsson and Honig, 2003). Several studies find that greater levels of education are positively related to the likelihood of being an aspiring or nascent entrepreneur, or business founder (Delmar and Davidsson, 2000; Rotefoss and Kolvereid, 2005). However, the link between education and entrepreneurship is also found to be stronger at the nascent or start-up stage and often not significant in the established business phase (Mazzarol et al., 1999; Rotefoss and Kolvereid, 2005).

Cognitive perceptions about one's skills and abilities influence actions, such that the more one believes she has the capabilities or skills to start a business, the more likely she will pursue entrepreneurship as a viable career option (Bandura, 1978; Chen, Greene and Crick, 1998). Studies find that greater confidence in beliefs about one's ability to pursue entrepreneurial action influences startup activity (Krueger et al., 2000; De Clercq and Arenius, 2006). Further, perceptions of capabilities are associated with beliefs about the attractiveness of an opportunity, which may or may not derive from education (Corbett, 2007).

Theories explaining gendered start up rates suggest differential impacts of varied socialization experiences, including prior work experience and social network affiliation, on start-up intentions (Carter et al., 1997; Fischer et al., 1993). Empirical research shows that when work experience and education are equal among women and men, no significant gender differences were found among entrepreneurs (Greene et al., 2003). This suggests that gender parity in education will be associated with parity in entrepreneurship. Other researchers found that education, (Cetindamar et al., 2012), especially entrepreneurship education (Chowdhury and Endres, 2005; Wilson et al., 2007), plays a more significant role in developing entrepreneurial self-efficacy for women than for men, but it is less clear is if self-efficacy has a differential impact on entrepreneurial activity between the genders.

Based on this discussion, our first set of hypotheses investigates the relationship between parity in education and capability perceptions and parity in entrepreneurship. To explore differences relative to business phases, we additionally propose a link between these human capital factors established business rates:

H1a. When women achieve parity with men in post-secondary education levels, they are more likely to achieve parity with men in entrepreneurship rates, the proportion of opportunity-motivated entrepreneurs, and established business ownership rates.

H1b. When women achieve parity with men in their capability perceptions about entrepreneurship, they are more likely to achieve parity with men in entrepreneurship rates, the proportion of opportunity-motivated entrepreneurs, and established business ownership rates.

2.2. Economic participation and political empowerment

The importance of historical, temporal, institutional, spatial and social contexts, is more widely recognized because they set boundaries for individual opportunities and actions, posing liabilities or assets for the nature and extent of entrepreneurship (Welter, 2011). Institutional context factors influencing entrepreneurship include formal and regulatory frameworks, cultural, economic and social systems, and policies that affect the survival and legitimacy of new ventures (DiMaggio and Powell, 1983). Specifically, research investigating relationships between the political context and entrepreneurship finds that startup rates are linked with such factors as the level of business regulation (Murdock, 2012), rule of law (Kim and Li, 2014), pro-competition policy (Choi and Phan, 2006), and bankruptcy legislation (Garrett and Wall, 2006).

Political context and policies may influence the genders differently. Ardagna and Lusardi (2010) drew on GEM and the World Bank Doing Business database, finding that regulation moderates the effect of gender on entrepreneurship, in that women in higher regulatory environments are more likely than men to start businesses based on necessity motives. Another political context factor relates to the influence or visibility of women in politics. Women in political positions can serve as leadership role models, with research revealing a relationship between women’s political power and female entrepreneurship rates (Goltz et al., 2015). This suggests that, to the extent women participate in the society’s political systems, there is a positive influence on rates of women’s entrepreneurship.

Similarly, economic participation of women in the economy may also enhance the visibility and acceptance of women entrepreneurs, but this relationship is less often studied. Research drawing on GEM indicates relationships between women’s entrepreneurship rates and work-family elements like gender wage equality and public expenditure on childcare (Elam and Terjesen, 2010). These and a range of other factors may influence women’s ability to work. When women are accepted participants in their economies, this can be expected to influence their impetus to start businesses.

We therefore propose that gender parity in entrepreneurship and established business activity will be associated with the extent to
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