

A Force to Reckon With

WOMEN,
ENTREPRENEURSHIP
AND RISK



The Beacon Agency



Carleton
UNIVERSITY

BMO



Bank of Montreal

ACKNOWLEDGEMENTS

We wish to thank BMO for their support in making this study possible. Not only did they provide financial support, but worked closely with the Centre and The Beacon Agency to facilitate the research and ensure the Critical Conversation, held as part of the research project, was a success.

We would like to thank all of the entrepreneurs across Canada who generously gave their time to share thoughts, experiences and recommendations with us. Our efforts were also consistently supported by numerous entrepreneur organizations right across the country. Each helped to make the interviews possible and shared their expertise, wisdom and insight openly.

Thanks also to the many senior leaders who took the time to come to Carleton University to contribute their knowledge, experience and ideas through the Critical Conversation.

Your contributions were essential to making the report.

Clare Beckton
Janice McDonald

CONTENTS

<u>3</u>	About the Authors
<u>4</u>	Executive Summary
<u>6</u>	Findings
<u>8</u>	Recommendations
<u>10</u>	01 Introduction
<u>13</u>	02 Female Entrepreneurship in Canada: An Overview
<u>20</u>	03 Results from Interviews and Critical Conversation Event
<u>28</u>	04 A Framework for Risk and Female Entrepreneurship
<u>36</u>	05 Recommendations
<u>38</u>	Conclusions – A Way Forward
<u>40</u>	Bibliography

Risk: (*noun*)

The likelihood of possible losses and returns under conditions of uncertainty.

ABOUT THE AUTHORS

Clare Beckton

BA, LLB, MPA

Clare Beckton is founding Executive Director of the Centre for Women in Politics and Public Leadership at Carleton University. She is a former senior executive in the Federal Public service, and author of *Own it-Your Success, Your Future, Your Life*. She is a member of the advisory board of the Canadian Board Diversity Council, the Harvard Women's leadership board, vice-president of the College of Homeopaths of Ontario and member of UNICEF's 25th team. She is a sought after speaker and mentor and has twice been named by WXN as one of Canada's Top 100 Most Powerful Women.

Janice McDonald

B.A. M.A. ICD.D MFA

Janice McDonald is an award-winning entrepreneur. Her latest start up is www.thisspaceworks.com. She is a member of the Harvard Women's Leadership Board and Chair of IWF Canada Ottawa Chapter. WXN recognized her as Canada's Top 100 Most Powerful in 2013, 2014 and 2015 and WCT's Chair's Award of Distinction in 2016. A sought after speaker on Leadership and Entrepreneurship, her TEDx talk has been viewed over 10,000 times. She is a board director with Futurpreneur and Ashbury College.

Samina M. Saifuddin

Samina M. Saifuddin holds a PhD in Management from the Sprott School of Business at Carleton University. She holds an MBA from Western Kentucky University (USA), M.Com and B.Com in Management from University of Dhaka (Bangladesh). She was a faculty member (1995 – 2008) in the Management Department in the University of Dhaka. Her research focuses on gender and work, barriers, advancement, women in technology careers, entrepreneurship, social capital and networking behavior.

Umut Riza Ozkan

Umut Riza Ozkan holds a PhD from the School of Public Policy and Administration, Carleton University and works as a researcher for the Centre for Women in Politics and Public Leadership. He is currently teaching an undergraduate course at the Department of Political Science. He is also a Senior Fellow at the Centre on Governance, Ottawa University. He writes extensively on labour and employment policy issues in developed and developing countries, as well as labour market policies of international organizations.

Executive Summary

Woman-owned businesses contribute billions of dollars to the Canadian economy every year.

Female entrepreneurs are ambitious and want to grow their business, making risk related decisions that are necessary to achieve their objectives. Despite the evidence that female enterprises are increasing in number, financial institutions and investors have not fully understood or supported their resource needs to start and grow their businesses. In addition a high value placed on projected fast growth does not support women entrepreneurs in their desire to grow sustainable businesses. Women owned businesses contribute billions of dollars to the Canadian economy, and with more financial support, premised on a more holistic understanding of how women entrepreneurs make risk related decisions, could significantly augment their contribution.

The assumption in business and academic circles that women entrepreneurs are risk averse negatively impacts assessments of women's entrepreneurship and

15%

Cited by the Labour Force Survey of Statistics Canada, the increase of self-employed women with an incorporated business since 2007.

2x

Since 1996, self-employed women with an incorporated business has more than doubled.

their ability to seek funding for both start-up and growth. Qualitative and quantitative research shows this assessment is not accurate nor useful when making important decisions respecting women entrepreneurs. This study offers a more process-oriented approach to risk by paying greater attention to how risk is calculated and assessed by female entrepreneurs and offers a holistic approach to determining how female entrepreneurs calculate risk when making decisions relating to their business.

There is a growing body of evidence that challenges the assumption in the literature that women entrepreneurs are risk-averse. This is significant because the number of self-employed women with an incorporated business has increased by 15% since 2007, prior to the recession, and it has more than doubled since 1996. These statistics are important because establishing an incorporated business is often a sign that self-employed women are committed to 'fostering entrepreneurship — investment in large, long gestation, innovative, and risky activities.'¹ A similar trend can also be observed in the United States: during the period of 1997-2015, 'the number of women-owned enterprises increased by 74% — a rate 1½ times the national average.'²

Also, entrepreneurial performance of female entrepreneurs — which can be measured by economic growth, innovation, and market expansion — can be used to understand their approaches to risk related decisions. Industry Canada's 2011 Survey on Financing of Small and Medium Sized Enterprises (SMEs) shows that there was not any significant difference between male and female-owned enterprises in terms of high economic growth. For instance, 9% of companies with majority female ownership and 7.1% of companies with full female ownership had more than 20% economic growth rate, while 7.8% of fully male owned enterprises and 7.3% of companies with majority male ownership achieved such economic growth.

What is more, the Survey highlights that female entrepreneurs were at least as innovative as their male counterparts between 2008 and 2011. 43.5% of companies with majority female ownership and 38.9% of companies with full female ownership introduced at least one type of innovation (e.g., product

innovation, process innovation, market innovation, and organizational innovation). Similarly, 44.2% of majority male-owned companies and 35.3% of fully male-owned companies engaged in an innovation activity during the same period. Innovations have led to increased sales in both majority female-owned enterprises (61.6%) and full female-owned enterprises (77.3%). Interestingly, 47.2% of majority female-owned companies and 68.3% of fully female-owned companies reported that they had captured a larger share of the existing market through their innovations.

Existing literature and studies place too much emphasis on taking risk as the ultimate goal. Such overemphasis on risk mainly stems from the tendency to frame it with an outcome-oriented vocabulary such as 'take' risk, 'avoid' risk, and 'averse' risk, which leads many people to intentionally or unintentionally focus more on the outcome of female and male entrepreneur's risk-taking behaviour. It is also important to distinguish 'rational' decisions pertaining to risk and 'irrational' decisions involving risk. To make such a distinction, we need a more process-oriented approach to risk by paying greater attention to how risk is calculated and assessed by female entrepreneurs and focusing on the interplay of multiple factors that affect entrepreneurs' decisions involving risk.

A literature review and interviews with over 100 entrepreneurs highlight that contextual (e.g., external financial support, internal financial and social support, and support from professional networks), perceptual (e.g., desire for autonomy, fear of failing, person's belief in her ability to achieve high entrepreneurial performance), and socio-psychological factors (such as gender and entrepreneurial personality) influence female entrepreneurs approach to decisions related to risk. The results that were obtained from the interviews and the literature review clearly demonstrate a need for a holistic approach that examines the interplay of these multiple factors affecting female entrepreneurs' calculation of risk. Such a holistic perspective also enables a better understanding of the link between risk and economic and social success because female and male entrepreneurs' decisions related to risk are often influenced by their notion of success which is defined both in financial and social terms. Taking a holistic approach is essential to support the aspirations of women to start and grow sustainable businesses and to the growth of the Canadian economy.

¹ Levine and Rubinstein (2013: 2)

² http://www.womenable.com/content/userfiles/Amex_OPEN_State_of_WOBs_2015_Executive_Report_finalsm.pdf

Findings

Risk is a means to achieve social and economic goals and not an end in itself.

1. Women entrepreneurs are ambitious and want to scale-up their business. Most women entrepreneurs look for opportunities to grow. Some are more cautious in their approach and want to ensure stability of their business. They take a holistic approach to growth and focus more on long term sustainability. Impact on their staff often influences their decisions around risk and rate of growth. Women often seek ways to increase profit at their current business level rather than simply looking to growth to achieve this result. Moreover, they are likely to engage experts or seek expert advice when considering growth. Many women entrepreneurs reported that they took courses on entrepreneurship to operate their business. Some also reported learning necessary terminologies to apply and get bank loans.

2. Women entrepreneurs make decisions that require risks. Many expressed their decisions related to risk as calculated or rational and agreed that taking risks was required to build and grow their businesses. Some women mentioned that they need more information about the potential risks and consequences of a decision so that they can make calculated decisions on risk. A common theme that emerged was, experience gives women entrepreneur's greater confidence to make decisions related to risk.

3. Risk is a means to achieve social and economic goals and not an end in itself. As such, understanding the role of risk in female entrepreneurship requires looking at risk more holistically. Stating that women entrepreneurs are risk averse does not begin to reflect the multiple factors that influence women entrepreneurs when they are making decisions involving risk. There is a need to examine

and include a number of variables to reflect the elements that shape how entrepreneurs look at risk including motivation, context, education, adaptability self- perception and gender.

4. Women and men entrepreneurs' risk-oriented decisions are influenced by their notion of success. Men may view earnings as an indicator of success and therefore they may make their decisions related to risk based on this notion. For women entrepreneurs, earnings are important but balance in life is also important and they often take into account the implications for all aspects of their lives when making decisions related to risk.

5. Women's motivation to operate a business can influence the decision making process that involves risk. Many women start a business to be in control, to experience challenge, to create something and to gain financial independence; many start a business because they need to generate income; and some take over their family business to better manage the operation. These different motivations are likely to influence their assessment and calculation of risk. Women who start and run businesses for independence, challenge and to create something of value often make decisions that involve risk easier than the women entrepreneurs who start their business because they need an income.

6. Women entrepreneurs' views on decisions related to risk are influenced by their perceived level of confidence. Women who feel confident are more likely to make decisions that embrace risk than

women who have self-doubts or fear failure. However, with business success, the women interviewed reported that they became more confident, less fearful of failure, and consequently they now find it easier to make such decisions. Others started their business with a great deal of confidence that they could succeed.

7. Women entrepreneurs' attitude toward risk-related decisions is influenced by contextual factors. Some women entrepreneurs' reported they are or were in a position to make risk-related decisions because they had a supportive family or qualifications to find jobs in case of business failure, or simply failure was not an option because they had a family to support.

8. Women entrepreneurs take a relationship and longer term approach to business. They build and grow their business by building relationships with their clients, suppliers, employees and funders. For many women, success is not about starting a company and selling it quickly. Success is about staying in business for a longer term.

9. Women face greater obstacles in acquiring loans from banks. Women entrepreneurs in general are not satisfied with their experience with financial institu-

tions. Lack of access to capital prevented many women from growing their businesses as quickly as they would have liked. Financial institutions fail to fully understand the relationship-oriented approach women entrepreneurs follow and their longer term orientation for their business. Instead, banks and financial institutions are more fixated on numbers. Access to capital can be a barrier for women entrepreneurs even in the growth stage.

10. Many women owned businesses are funded through personal finances. Often women start business with their own resources or by taking personal loans from friends, family, and/or organizations such as Futurepreneurs or the Business Development Bank of Canada (BDC). Women avoid taking loans from venture capitalists or investors who want a larger share as women entrepreneurs often want to have control over their businesses. Alternatively they take on partners who can help them in running the business.

11. Lack of awareness about the existing credit offered by the banks for female-owned businesses might also be part of the reason why women entrepreneurs do not apply for funding to these institutions. Lack of awareness of credit options has a direct impact on a businesses' ability to grow.

Between 2001 and 2011,

950,000

In 2012, 950,000 women were self-employed, accounting for 35.6% of all self-employed persons.

In 2012, according to a recent report,



47% of small and medium-sized enterprises (SMEs) were entirely or partially owned by women.

Recommendations

1/ Changing Risk Metrics and Collecting Data

Financial institutions need to recognize that women entrepreneurs are comfortable making decisions related to risk. They look at risk as part of making decisions to sustain and grow their businesses.

2/

The metrics of business success used by lenders and investors should include a more holistic understanding of risk and a measure of sustainability that is often adopted by female entrepreneurs as a strategy of business growth. Fast projected growth should *not* be the determining factor, as sustainability is critical to business success in the longer term. Understanding that women seek to grow their business and not necessarily seek a speedy exit is important to financing decisions. Women often take a strategic approach to their business as a whole and to growth in particular.

3/

Gender disaggregated statistics are necessary for a full understanding of the needs and successes of women owned businesses. Financial institutions and governments need to gather evidence related to both male and female entrepreneurs and not assume that findings apply equally to both.

4/ Communications and Relations

Better communication channels between financial institutions and women entrepreneurs to facilitate applying for and accessing funding would be beneficial to all entrepreneurs. Women often find the process of seeking a business loan very onerous and they often feel humiliated by the application forms and how they feel treated by front-line staff. More streamlined and easy to access application processes are needed to encourage women entrepreneurs to seek funding and

to overcome their reticence based on past experiences of their own and other women entrepreneurs. Front-line staff of lender organizations, who deal with customers, should be trained to respond to the needs of female entrepreneurs. Often institutions assume simply placing a women in the lending role will solve all the challenges. Entrepreneurs want someone in the lending role who can understand their business irrespective of their gender.

5/

Financial institutions and investors can take a leadership role by adopting a new, more relationship-based approach when they work with female entrepreneurs. A holistic and “partner” approach would resonate with many female entrepreneurs. Women repeatedly spoke about the desire to have a relationship with their bankers and investors where they become more knowledgeable about the women's business and are not merely promoting their funds or services. Understanding the motivations for women starting their business and the goals they seek to achieve will provide insight into services that will advance women's entrepreneurship.

6/

Financial institutions and other investor stakeholder may need to develop communication strategies to increase awareness among female entrepreneurs about available

credit sources dedicated to female owned start-ups. Institutions can make women aware of availability of funds and support using multiple means including women's entrepreneur organizations, social media and other forms of marketing that are visited by and appeal to women entrepreneurs.

7/ Educational Opportunities and Support

Financial institutions should take a proactive approach and offer small and medium size businesses more educational opportunities such as financial literacy training, how to analyze risk in the business context and growth strategies in today's markets, and how to obtain and leverage funding for growth. Lending organizations can also partner with other entrepreneur organizations to provide these educational opportunities

8/

Mentorship programs can help women increase their confidence and business knowledge and may contribute to their business development. Further, mentors can coach, prepare and help the female entrepreneur on how to get funding for her businesses and how to grow and sustain her business. Financial institutions and governments can support mentoring programs for women entrepreneurs through women's enterprise centres and other entrepreneur organizations who are able to facilitate mentoring programs.

9/

Financial institutions should share success stories of financing women and how these institutions help them to build their business in order to address the concerns of women about financial institutions. Current recognition and awards programs highlight successful female-owned, high growth businesses but do not necessarily link the success of these companies to their funding partners.

10/ Enterprise Centres

Opportunities exist for financial institutions and investors to engage with female entrepreneurs at every stage of their business to build relationships and enhance their business growth. Providing information to entrepreneurs, and inviting them to educational and networking sessions that benefit their business are a few ways that institutions can help support women entrepreneurs.

11/

Government supported Women's Enterprise Centres are helping women entrepreneurs and these Centres should be expanded to offer services and funding opportunities to women entrepreneurs in all regions of Canada. Similar services in the US have proven to be very successful.

01

Introduction

The existing debate places too much emphasis on taking risk as the ultimate goal.

The assumption in business and academic circles that women entrepreneurs are risk averse negatively impacts assessments of women's entrepreneurship and their ability to seek funding for both start-up and growth. Qualitative and quantitative research shows that this assessment is not accurate nor useful when making important decisions respecting financing for women entrepreneurs to start or grow their businesses.

The existing debate places too much emphasis on taking risk as the ultimate goal. Even though risk is an essential component of entrepreneurship, treating 'risk-taking' as the main objective of entrepreneurship obscures its economic and social implications. Put differently, risk-taking on its own becomes the objective to be achieved rather than being a means to meet economic and social goals.

Such overemphasis on risk stems mainly from the tendency to frame it with an outcome-oriented vocabulary such as 'take' risk, 'avoid' risk, and 'averse' risk, which leads many people to intentionally or unintentionally focus more on the outcome of female and male entrepreneur's risk-taking behaviour. It is also import-

ant to distinguish 'rational' decisions pertaining to risk and 'irrational' decisions involving risk. Taking too much risk without a thorough examination of the situation or taking risk for its own sake may have adverse implications for society and the economy.

This study offers a more process-oriented approach to risk by paying greater attention to how risk is calculated and assessed by female entrepreneurs focusing on the interplay of multiple factors that affect entrepreneurs' decisions involving risk. Such a holistic perspective also allows us to understand the link between risk and economic and social success because female and male entrepreneurs' decisions related to risk are often influenced by their notion of success which is defined both in financial and social terms. In existing literature, risk refers to "the extent to which... [entrepreneurs]... are inclined to take business related risk and it involves 'activities such as borrowing heavily, committing a high percentage of resources to projects with uncertain outcomes and entering unknown markets.'"

Further, researchers often define risk as the likelihood of possible losses and returns under *conditions*

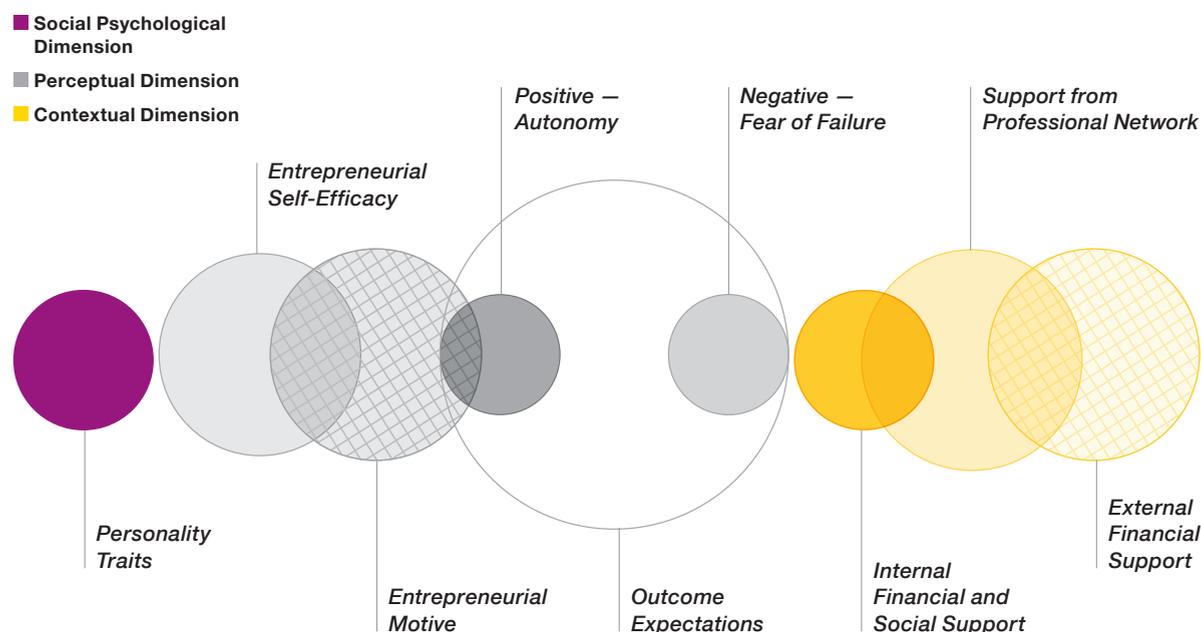
of uncertainty. This definition is problematic in terms of understanding the risk attitudes of female and male entrepreneurs because it assumes that entrepreneurs do not have any control over the 'conditions of uncertainty' while making decisions related to risk. Put differently, the definition considers individuals as 'passive' agents in the face of uncertainty. Not surprisingly, this static understanding of risk contributes to the reproduction of stereotypes that women are risk-averse while men are risk-takers. For instance, the research on risk-taking often frames survey questions around financial returns and probable successes rather than assessing the participants' adaptability and flexibility to changing conditions of uncertainty while making decisions related to risk. Such an understanding does not capture how female entrepreneurs sustain their businesses in the medium and long-term by adapting to changing environments related to risk. In other words, it does not assess how female entrepreneurs manage and calculate conditions of uncertainty as part of their decision-making activity.

Another misconception in the existing conversation is that female entrepreneurs are a homogenous group. In fact, there is a huge variation among female entrepreneurs with regards to their decisions involving risk, which manifests itself in the nature of their business, their economic outcomes and successes. The dominant approach to risk – the outcome-oriented approach

– is unable to explain such differences since it solely concentrates on the level of risk taken by female entrepreneurs relative to male entrepreneurs. It assumes equally that male entrepreneurs are homogenous and all engage in similar levels of risk taking. Finally, there is a perception that an approach to risk remains the same through an entrepreneur's working life.

It is time to change this discourse with a process-oriented perspective to risk, which focuses on how female entrepreneurs 'calculate', 'assess', and 'manage' risk under changing conditions and examines the factors that influence the decision-making process including risk. This report suggests a framework (see Figure 1) to understand the female entrepreneur's risk behaviour by focusing on the role of **perceptual factors** (e.g., a person's belief in her ability to achieve high entrepreneurial performance, desire for economic independence, fear of failing, and motive), **contextual factors** (e.g., external financial support, financial and social support from family and friends, and from professional networks), and **socio-psychological factors** (e.g., different personality traits such as being sociable, consciousness, agreeableness, neuroticism, and openness to explore novel ideas). By offering a fresh perspective, this holistic view aims to provide a more meaningful discussion of the divergent pathways to entrepreneurship and the associated rational and calculated risks.

Factors Affecting Women Entrepreneurs' Risk-Related Decision Making



METHOD

The review process for this report includes an in-depth look at the experiences of female entrepreneurs, as well as the current state of female entrepreneurship in Canada and in the world. Information for this review was drawn from three activities:

- *A selective literature review on female entrepreneurship and the factors that influence female entrepreneurship;*
- *More than 100 interviews with female and male entrepreneurs across Canada;*

and

- *A Critical Conversation, held at Carleton University that brought together senior representatives from banks, government including Industry Canada, entrepreneurs, academia, and NGOs.*

The literature review involved the use of reports on women's entrepreneurships in Canada and broader reports from the USA, and the collection and analysis of relevant quantitative data on female entrepreneurs in different sectors. This literature search assisted us in identifying the current state of female entrepreneurship, factors that influence female entrepreneur's decision making that involves risk, and the main issues that need to be addressed in order to promote female entrepreneurship.

The interviews aimed to capture women's paths to entrepreneurship, and how female entrepreneurs calculate their decisions and manage risk in changing dynamic environments with some uncertainty. Those interviewed gave their suggestions for potential solutions to augment women's engagement in entrepreneurship.

The Critical Conversation captured the views and insights of senior leaders, across different sectors, respecting the challenges, best practices and opportunities for change to promote female entrepreneurship. These were helpful in framing the report.

Structure and Format of the Report

The report is composed of five main sections including the introduction. **PART II** presents an overview of the situation of female entrepreneurs in different sectors and their entrepreneurial performance. **PART III** analyzes the interviews conducted with female entrepreneurs from different sectors. **PART IV** outlines the holistic framework and its components to analyze the risk attitudes of female entrepreneurs. While building such a framework, the study relies on the findings of the global literature on women and entrepreneurship and what was discerned from the interviews with entrepreneurs. **PART V** outlines a series of recommendations relating to the proposed new perspective relating to women entrepreneurs and risk and identifies potential areas for future research.

02

Female Entrepreneurship in Canada: An Overview

In the last few years, there has been growth in the number of women owned business in Canada.

In the last few years, there has been growth in the number of women owned businesses in Canada. The number of self-employed women climbed by 23%³, while the number of self-employed men grew by 14% between 2001 and 2011. In 2012, 950,000 women were self-employed, accounting for 35.6% of all self-employed persons.⁴ According to a recent report, in 2012, 47% of small and medium-sized enterprises (SMEs) were entirely or partially owned by women.⁵ It is important to understand to what extent these women owned businesses engage in entrepreneurial activity as women continue to be an untapped resource for increasing economic growth.

The literature has recently started to use the number of self-employed with an incorporated business as an indicator (or a proxy) to understand female and male entrepreneurial activity.⁶ This is mainly because self-employed people with an incorporated business often have 'the explicit goal of fostering entrepreneurship —

investment in large, long-gestation, innovative, and risky activities.'⁷ Incorporation involves two features that benefit entrepreneurship: 'limited legal liability' (which 'reduces the potential downside losses to equity holders, increasing the appeal of purchasing equity in high-risk, high-expected return projects') and separate legal identity' (which reduces the likelihood that 'shareholder-specific shocks' 'disrupt firm activities, increasing the appeal of investing in large, long-gestation projects').⁸ In contrast, unincorporated business owners tend to 'initiate less innovative, smaller, and shorter-gestation activities that do not benefit much from the limited liability and independent legal identity traits of the corporation.'⁹ According to the Labour Force Survey of Statistics Canada, the number of self-employed women with an incorporated business has increased by 15% since 2007, prior to the recession, and it has more than doubled since 1996.

¹ <http://www.statcan.gc.ca/tables-tableaux/sum-som/l01/cst01/labor64-eng.htm>

² <http://www.statcan.gc.ca/tables-tableaux/sum-som/l01/cst01/labor64-eng.htm>

³ TD Economics (2015)

⁴ Levine and Rubinstein (2013: 2)

⁵ Levine and Rubinstein (2013: 2)

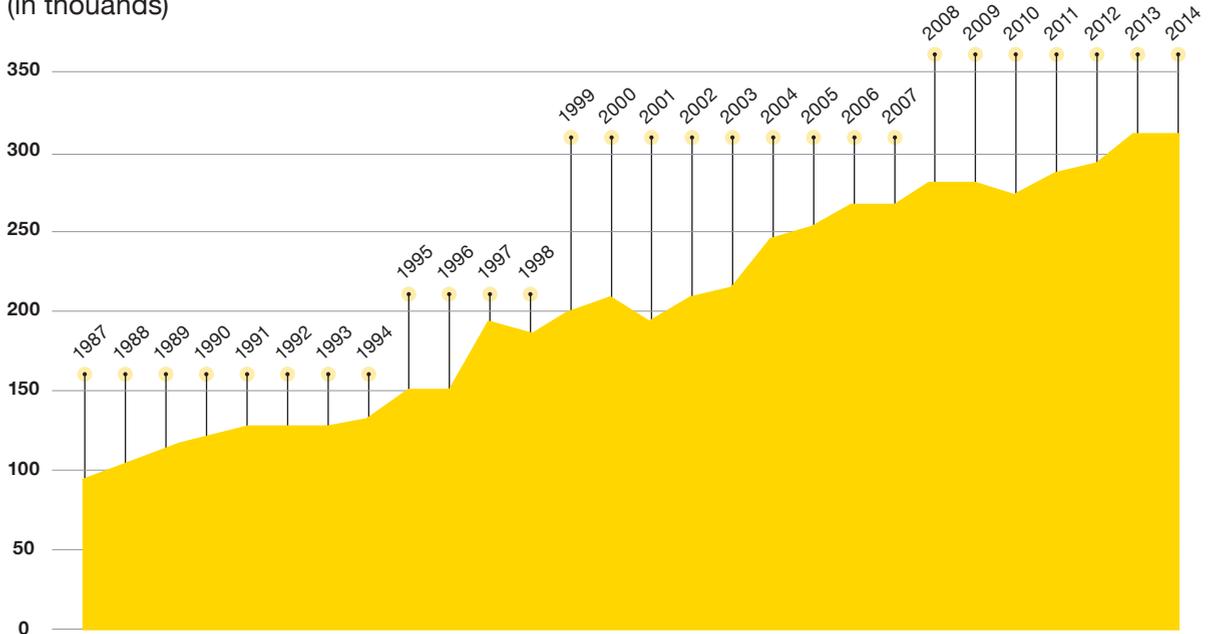
⁶ Levine and Rubinstein (2013: 2)

⁷ Levine and Rubinstein (2013: 2)

⁸ Levine and Rubinstein (2013: 2)

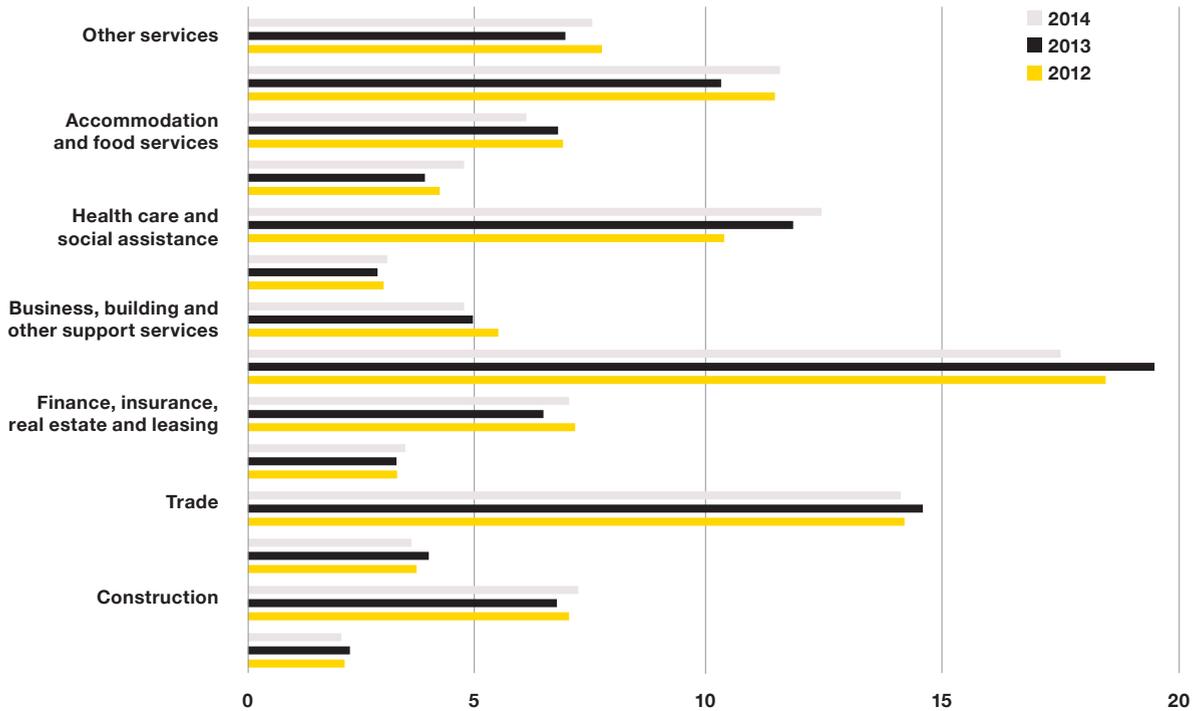
⁹ Levine and Rubinstein (2013: 2)

Self-Employed Women with an Incorporated Business
(in thousands)



Source: Statistics Canada (2015). Labour Force Survey: Table 282-0012

Self-Employed Women with an Incorporated Business by Sector (%)



Source: Statistics Canada (2015). Labour Force Survey: Table 282-0012

Most of the self-employed women with an incorporated business were concentrated in sectors related to 'professional, scientific and technical services', 'trade', 'health care and social assistance', and 'utilities and public administration'. A very recent study conducted in the U.S. demonstrate a similar trend in the sectoral distribution of women-owned enterprises: 17% of women-owned enterprises were in health care and social services sector; 13.3% of them were in professional, scientific and technical services; 10.5% of them were in administrative support and waste management services; 9.5% of them were in retail trade.¹⁰

The geographical distribution of self-employed women also varied. Ontario was the province which had the highest concentration of self-employed women, which was followed by British Columbia, Alberta, and Quebec in 2014. It is important to note that the number of self-employed women with a business increased in British Columbia by 52% from 2013 to 2014. Alberta has slightly surpassed Quebec in regards to the number of self-employed women with an incorporated business in the same period.

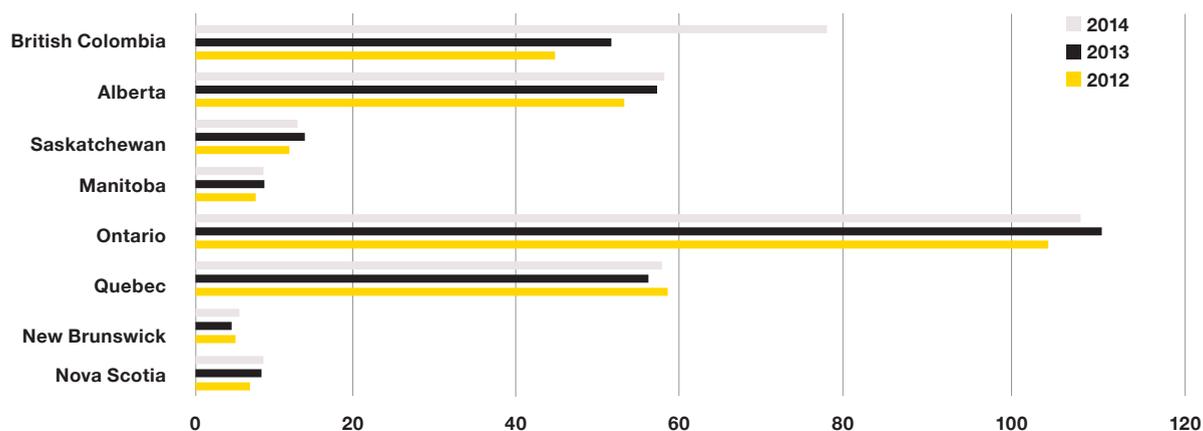
Despite the potential of 'self-employment with an incorporated business' as a measure for entrepreneurship, this indicator does not fully measure the entrepre-

neurial activity of women-owned businesses. More specifically, self-employment refers to working for one's self, while entrepreneurship highlights innovation and expanding the business into new markets, and export-oriented businesses.

Industry Canada's 2011 Survey on Financing of Small and Medium Sized Enterprises (SMEs) provides an overview of the entrepreneurial activities of female business owners. According to the Survey, companies with full and majority female ownership have mainly concentrated in sectors related to accommodation and food services (25.4%), retail (24.4%), and health care and social assistance, information and cultural industries, arts, entertainment and recreation (22.4%). Female owned SMEs enterprises are mostly concentrated in Ontario (30.6%), which is followed by Atlantic Canada (19.9%), Quebec (17.5%), British Columbia and Territories (14.8%), and Alberta (13.9%).

Furthermore, women owned SMEs (both fully female owned and majority owned by female) constituted 19.1% of the businesses that were 2 years old or younger, 17.1% of the business that were between 3 to 10 years old, 16.8% of the businesses that were older than 10 years but younger than 20 years, and 13.5% of the businesses that were older than 20 years.

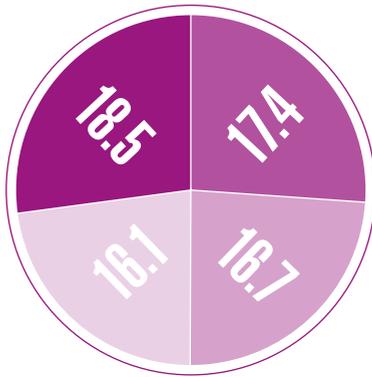
Geographic Distribution of Self-Employed Women with an Incorporated Business (in thousands)



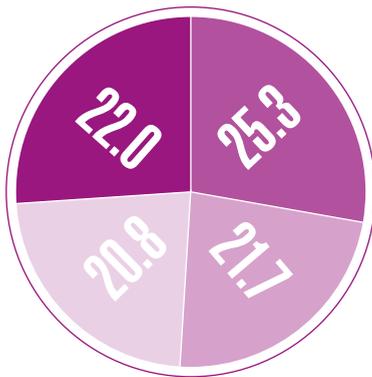
Source: Statistics Canada (2015). Labour Force Survey Table: 282-0012 *Due to the confidentiality requirements, data was not available for Newfoundland and PEI.

¹⁰ http://www.womenable.com/content/userfiles/Amex_OPEN_State_of_WOBs_2015_Executive_Report_finalsm.pdf p. 5

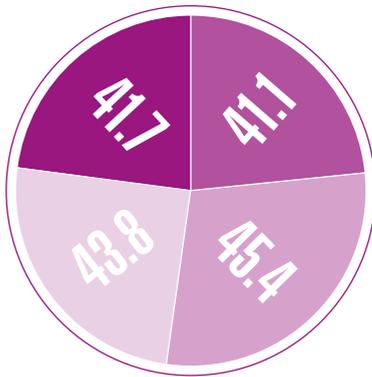
Average Yearly Growth in Sales/Revenues



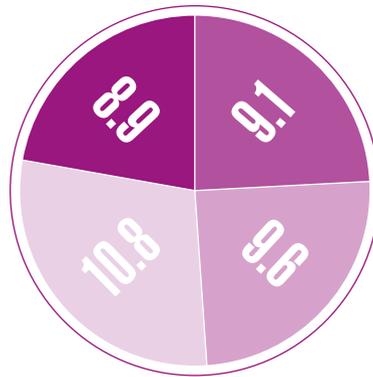
Negative Growth



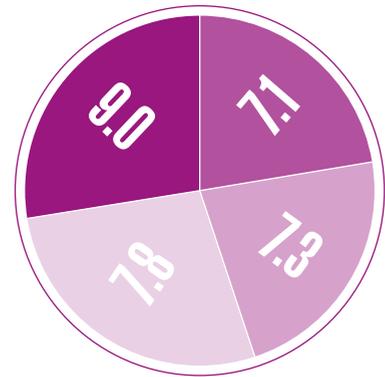
No Growth



Less than 10% Growth



More than 10% but less than 20% Growth



More than 20% Growth

Another important characteristic of female entrepreneurs is that female owners of SMEs who were younger than 30 years were less represented than female owners from other age groups. For example, 7.9 % of businesses with an owner who was younger than 30 years old were fully female owned businesses, whereas this ratio was 14.7% of businesses with an owner who was between 30 to 39 years old, 14.3% of businesses with an owner who was between 40 to 49 years old, 12.6% of businesses with an owner who was between 50 to 64 years old, and 12.9% of businesses with an owner who was older than 65 years old.

Further, female-owned SMEs were generally small in size. For example, 17.4% of the SMEs with less than 5 employees were female owned businesses, while 14.7% of the SMEs which had between 5 to 19 employees were fully owned by women. Only 10.1% of the female owned SMEs had more than 20 but less than 100 workers. The representation of female owned SMEs becomes even smaller (4%) in SMEs with more than 100 workers and less than 500 workers. Having described the characteristics of female owned SMEs with regards to sectoral distribution, size of the enterprises, age of their business, and owner's age, it is also important to measure the entrepreneurial activities and performance of these SMEs.

- Companies with majority female ownership
- Companies with full female ownership
- Companies with majority male ownership
- Companies with full male ownership

Source: Industry Canada (2011). Table 19: Average Yearly Growth in Sales/Revenues. Survey on Financing and Growth of Small and Medium Enterprises.

¹¹ [https://www.ic.gc.ca/eic/site/061.nsf/vwapj/SEC-EEC_eng.pdf/\\$file/SEC-EEC_eng.pdf](https://www.ic.gc.ca/eic/site/061.nsf/vwapj/SEC-EEC_eng.pdf/$file/SEC-EEC_eng.pdf), p. 10

¹² [https://www.ic.gc.ca/eic/site/061.nsf/vwapj/SEC-EEC_eng.pdf/\\$file/SEC-EEC_eng.pdf](https://www.ic.gc.ca/eic/site/061.nsf/vwapj/SEC-EEC_eng.pdf/$file/SEC-EEC_eng.pdf), p.12

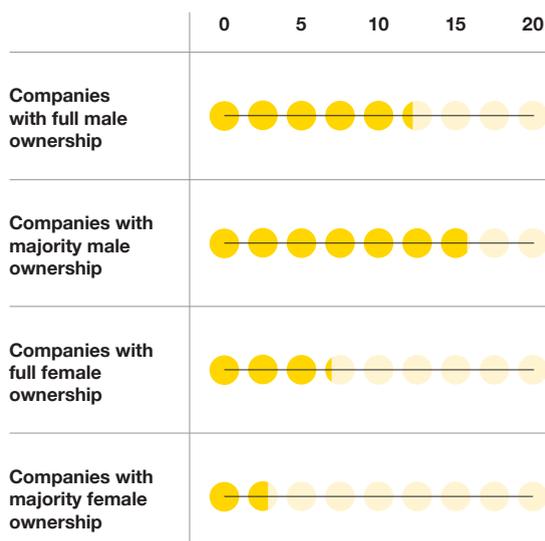
High economic growth is often an indicator of the existence of entrepreneurial activity. High growth firms are considered to be entrepreneurial, because ‘there is something significantly novel about their products, their processes, or their markets that allows them to expand rapidly.’¹¹ Generally speaking, a large proportion of the SMEs had annual economic growth of less than 10% in 2011. Companies with more than 20% growth constituted around 7-9% of SMEs, 9% of the companies with majority female ownership and 7.1% of companies with full female ownership had more than 20% economic growth.

Export focus is another indicator used to understand entrepreneurial orientation. Companies that export are more likely to face competition and therefore, they are more likely to innovate to take advantage of opportunities to enter into new markets. Export-oriented companies tend to have high-growth rates and high job creation.¹² According to the SME Survey, female-owned enterprises exported less than male-owned enterprises in 2011. Not surprisingly, the percentage of export sales of female-owned enterprises was also lower than male-owned enterprises. This difference can be explained in part by the fact that female-owned SMEs were mainly concentrated in service industries (such as accommodation and food services, health care and social assistance, and retail trade), whereas male-owned SMEs had a higher concentration in export-oriented sectors (e.g., the knowledge-based and manufacturing sectors) compared to other sectors. It should, however, be noted that only a small portion of both female and male-owned enterprises were engaged in exporting their products in 2011. Furthermore, a minority of female (6.1% of majority female-owned and 6.9% of fully female-owned) and male-owned (12.3% of fully male-owned and 17.4% of majority male-owned) enterprises stated that they intended to expand their businesses into new markets.

Innovation is also a key indicator for high entrepreneurial performance. Female entrepreneurs were at least as innovative as their male counterparts between 2008 and 2011. To illustrate, 43.5% of companies with majority female ownership and 38.9% of companies with full female ownership introduced at least one type of innovation (e.g., product innovation, process innovation, market innovation, and organizational innovation). Similarly, 44.2% of majority male-owned companies and 35.3% of fully male-owned companies engaged in an innovation activity during the same period.

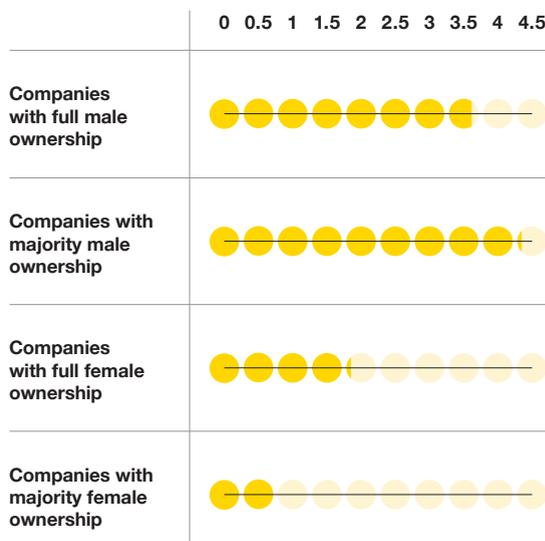
Moreover, both majority female-owned and fully female-owned enterprises were more successful than their male counterparts with respect to product innovation. Female-owned enterprises (15.2% of fully female-owned enterprises and 22.5% of majority female-owned enterprises) performed better in introducing market innovations, which generally include new media or

Exported in 2011



Source: Industry Canada (2011). Table 21: Sales by Destination and Table 22: Exports. Survey on Financing and Growth of Small and Medium Enterprises.

Percentage of Export Sales



Source: Industry Canada (2011). Table 21: Sales by Destination and Table 22: Exports. Survey on Financing and Growth of Small and Medium Enterprises.

techniques for product promotion, new methods for sales and new price strategies.¹³

These innovations have led to increased sales in both majority female-owned enterprises (61.6%) and full female-owned enterprises (77.3%). Interestingly, 47.2% of majority female-owned companies and 68.3% of fully female-owned companies reported that they had captured a larger share of the existing market through their innovations.

The above discussion shows that women entrepreneurs are not underperforming when compared to male entrepreneurs. More importantly, it highlights that women make decisions involving risk since each of the above mentioned indicators of success (i.e., economic growth, innovation, and market expansion) involves decisions related to risk. In contrast, within the entrepreneurship literature, it is often argued that women in general are more risk-averse than their male counterparts.¹⁴ This area of research asserts that women not only exhibit risk-aversion tendencies in taking business loans but also in engaging in fast-paced business growth.¹⁵ The positive correlation between risk-taking and business growth indicates that risk-taking may strengthen growth whereas risk-averse tendencies may weaken growth.

Another common misconception in the literature on entrepreneurship is that female entrepreneurs are a homogenous group. In fact, there is a huge variation

among female entrepreneurs with regards to their decisions involving risk, which manifests itself in the nature of their business, their economic outcomes and successes.¹⁶ By drawing from the *Survey of Self-Employment*, one study shows how different motivations of female entrepreneurs to start businesses affect the economic performance of their businesses in Canada.¹⁷ The study identifies three types of female entrepreneurs with regards to their motivation to engage in entrepreneurship.¹⁸ The first group is composed of female entrepreneurs ('classic entrepreneurs') whose main motivation to start a business is independence, challenge, and financial independence. This group of female entrepreneurs is more likely to have an incorporated business (82.3%) and to be employers. Also, these types of female entrepreneurs are less likely to own home-based businesses (29.4%) and they tend to work full-time (82.3%). These classic female entrepreneurs are more engaged in sectors like professional and technical services (49.8%) than sectors such as personal services, accommodation and retail (35.3%). The second group of female entrepreneurs ('work-family entrepreneurs') includes female entrepreneurs who give more priority to work-family balance and flexibility. They are more likely to work in home-based businesses (67%) and work part-time (33.4%). Only a small portion of these work-family female entrepreneurs have incorporated businesses

According to the *Survey of Self-Employment*,

\$60,000+

was average income earned by classic entrepreneurs in the given year.

The study also found that,

while 22.1% of classic entrepreneurs made \$60K+, only 4.1% of work-family entrepreneurs and 3.1% of forced entrepreneurs earned the equivalent.



¹³ <http://www5.statcan.gc.ca/cansim/a34?lang=eng&mode=tableSummary&id=3580261&pattern=358-0261..358-0265&stByVal=2&p1=-1&p2=31>

¹⁴ Watson and Robinson (2003:773-788)

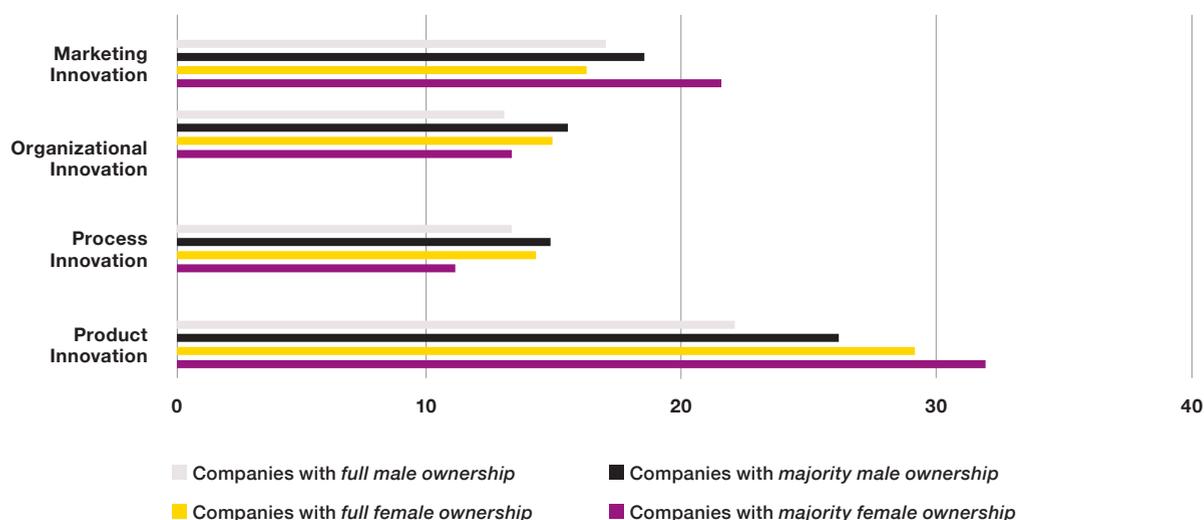
¹⁵ Bird and Brush (2002)

¹⁶ Hughes (2006: 107)

¹⁷ Hughes (2006: 107)

¹⁸ Hughes (2006: 107)

Innovation in the Last 3 Years



Source: Industry Canada (2011). Table 19: Average Yearly Growth in Sales/Revenues. Survey on Financing and Growth of Small and Medium Enterprises.

(16.1%) and they are employers (20.7%). Their business mainly concentrates in high-tier sectors (58.4%), followed by low-tiered sectors (31.1%), and goods sectors (10.5%). The last group of female entrepreneurs ("forced entrepreneurs") is comprised of entrepreneurs who start-up business due to unemployment, job loss and lack of work opportunities. Nearly half of these entrepreneurs have home-based businesses (41.2%) and only a small fraction of these businesses are incorporated (18.8%). They generally work full-time (74.8%) in high-tier (52%) and low-tier services (43.5%). Only a very small group of forced entrepreneurs work in the goods sector (4.4%).¹⁹ In terms of economic performance, the study showed that classic entrepreneurs did better than work-family entrepreneurs and forced entrepreneurs. The study found that 22.1% of classic entrepreneurs made more than \$60,000 in the given year, while only 4.1% of work-family entrepreneurs and 3.1% of forced entrepreneurs earned such an amount of income.²⁰ Given the fact that female entrepreneurs have different motivations to start a business and in making decisions involving risk, it is necessary to identify the factors that influence their

motivations for engaging in entrepreneurial activity.

Entrepreneurship literature has a tendency to focus too much on the outcome of risk partly due to the vocabulary it uses. The issue of risk is often narrowed down to the dichotomy of risk-averse versus risk-taker, which obscures the decision making processes behind risk. In contrast, a process-oriented approach would improve our understanding about how multiple factors influence women's risk-related decisions. It would shed more light on the divergent pathways to entrepreneurship for both women and men in contrast to the existing literature that focuses on the level of risk taken by entrepreneurs.

Such a holistic view pays attention to the role of several factors — contextual, perceptual, and socio-psychological — in female entrepreneurship. It is thus important to understand how each of these factors influences entrepreneurs' risk-related decisions, particularly for female entrepreneurs. Part IV, offers a conceptual framework based on research and supported by the findings of the interviews which integrate these factors in order to gain an in-depth understanding of risk-related decisions and entrepreneurial activity and success.

¹⁹ Hughes (2006: 107)

²⁰ Hughes (2006: 107)

03

Results from Interviews and
Critical Conversation Event

**Most women
start a business
because they are
passionate about
something — not
to make a million
[dollars].”**

A number of interviews and focus groups, conducted with men and women entrepreneurs across Canada and across industry types, deepened the understanding of the factors and the processes through which business risks are formed and assessed by examining the actual experiences of women entrepreneurs across a variety of sectors.

A Critical Conversation with women entrepreneurs and other stakeholders including banks, government, academia, and NGOs also contributed to the in-depth analysis. Anecdotal evidence in the entrepreneurial and finance literature indicates that gender plays a role in investment decisions and women entrepreneurs tend to invest more in less risky ventures. This is an over simplification of a complex process that perpetuates gender biases and leads to stereotyping.²¹ This gender bias and stereotyping disadvantages not only women entrepreneurs in accessing financing for growth but also limits lending and financial companies from revenue generating opportunities.

Both a literature review and findings from interviews and focus groups, as well as the Critical Conversation, demonstrate that work needs to be done to change current outcomes for women entrepreneurs. Risk, in the lived experience of entrepreneurs goes beyond financial risk and requires a more holistic approach to understand its impact in entrepreneurial success. The traditional male-entrepreneurial model and its approach to risk and growth assessment, as well as gender bias toward financing women-owned companies, pose key obstacles for women's entrepreneurial growth and success.

Women entrepreneurs have different approaches to risk informed simultaneously by multiple internal (perceptual and socio-psychological factors) and external (contextual and social) factors. The following section further elaborates on the themes that emerged from interviews and focus group discussions and presents strong evidence of the need for financial institutions and lenders to develop a holistic risk assessment approach.

Women entrepreneurs are ambitious and want to scale-up their business

Women entrepreneurs look for opportunities to grow, however, they are careful in their approach. **Many take a holistic approach to growth and take a long term orientation.** Moreover, they are likely to engage experts or seek expert advice while considering whether to grow.

Women entrepreneur's view on growth:

"I made a bid for a large contract without experience or all of the resources — once I won it, I found a way to create partnerships to deliver (do it and figure out how to get it done later)."

"My investment experience helped me tremendously. I learned to engage experts and seek expert advice."

Some of the women entrepreneurs **have a stronger entrepreneurial personality — they are ambitious and in situations where they lack resources to explore future opportunities, they engage experts or create partnerships to leverage competencies and grow.** This also indicates that women are rational and work toward controlled profitable growth. Our finding mirrors the results of a recent study conducted by UK based commercial bank Barclays²² and calls for attention toward a holistic approach that helps in building businesses with solid foundations.

Women entrepreneurs look at risk differently than traditional approaches

Generally, **female entrepreneurs perceive risk both in terms of economic and social value which differs from traditional approaches that consider risk mainly from an economic point of view.** For example, risk is often described by women entrepreneurs as hiring the right person, having a debt, renting/ leasing a warehouse space, or the impact it may have on her family or the reputation of the company.

²¹ Hibbert, Lawrence, and Prakash (2008:1-56)

²² Barclays (2015:14). <https://www.home.barclays/content/dam/barclayspublic/images/news-newsite/2015/06/Barclays%20report%2020150616v1-final.pdf>

My risk tolerance is now higher because I have more experience and time.”

Women entrepreneur’s view on the biggest risk:

“Big risk and challenge is hiring the right expertise (make a mistake and you do not have the expertise that you need).”

“Bought a bigger warehouse during the down turn — was poised to grow the business as markets improved — this was big risk but successful, without it no growth.”

A man entrepreneur’s perspective on the biggest risk:

“The biggest risk that I took was a Barrhaven restaurant. It never made much money and I learned from the experience. He further adds, I do not take risk — I need to feel 100% positive.”

A female entrepreneur said risk is simply a challenge and another said a challenge is as an opportunity.

The conceptualization of risk appears different between men and women entrepreneurs as seen from the above comments and the interviews and Critical Conversation.



In 2014, Ontario had the highest concentration of self-employed women, followed by British Columbia, Alberta, and Quebec.

In British Columbia, from 2013 to 2014, the number of self-employed women with a business increased by 52%.

Women entrepreneurs make decisions that require taking risks.

Women entrepreneurs make decisions that involve risks including the decision to start a business. A common theme that emerged was **experience gives women entrepreneurs confidence** to make risk-related decisions. Mentors can also increase confidence and prevent costly business mistakes.

Women entrepreneur's view on the role of mentors in mitigating risk:

"To mitigate risk, I need to get my strategy in place and have more conversations with mentors and peers who will help me with getting reading for the challenges I will face going forward."

Many women also identified themselves as making decisions relating to risk differently compared to their husbands or partners. A number mentioned, **they prefer to calculate risks; and therefore, they collect more information before they make their decisions.** Some also mentioned they could make decisions involving greater risks once their children grew older and moved out, some became less willing to make risk-related decisions as they aged and began thinking of exit strategies. Some male entrepreneurs that we interviewed were more conscious and *conservative* as they became successful and had more assets to lose. Some men also mentioned having children and family caused them to make less risk-related decisions than earlier. To the extent that men and women's life experiences differ, they may view risk from a varied perspective at different stages of their lives.

Women entrepreneur's view on risk-related decisions:

"My husband is less of a risk taker than myself. He does have different strengths though. He was running a business that was too small and he was not watching the numbers. I said "go big or go home."

"I have more experience; children are grown and I can pick up speed. It is easier to focus on where I want to be in 20 years. I can now be available for higher margin clients because I had held back on some success because of other priorities. My risk tolerance is now higher because I have more experience and time."

"I do a lot of research — have big ideas but from experience if I know I can do it. I will then seek financing. I take educated or 'calculated' risks."

A group finding at the Critical Conversation Event:

"One strength in women's approach to risk... is that women will go further to get all of the data they need

before they start something. For instance, women in careers feel they shouldn't reach for next promotion until they have everything checked off, whereas men will go after a promotion having only accomplished some of the necessary criteria. Important to note — women's need to collect info makes them more careful — that is a strength that we need to model."

Men entrepreneur's take on risk-related decisions:

"I am less willing to take risks now that I am older. I am less apt to take risk now unless 'it is a slam dunk.' Took many more risks when started. Now I think about how decisions will impact my future and my children."

"I think about risk more that I am older and closer to retirement. I know income is important... I do not mind risk when I am in control."

Entrepreneurs are generally seen as individuals who make decisions that include great personal and financial risks, create a business, and show innovation in their way of doing things. Implicitly, this definition is based on a male model and assumes that entrepreneurs are men and therefore men are risk-takers.²³ The findings from the interviews and focus groups provide evidence that we need to move beyond the concept of risk-taker and risk-averse. Successful entrepreneurs are individuals who are **assertive and make risk-oriented decisions when they see opportunities. With experiences their risk-assessment skills get fine-tuned and their choices are more informed and calculated.** Risk tolerance may vary at different stages of their lives.

Women and men entrepreneurs' risk-related decisions are influenced by their notion of success

Men may **view earnings as an indicator of success** and therefore may make their risk-oriented decisions with respect to such notion of success. For women entrepreneurs' earnings are important but balance in life is important too and therefore **when they make decisions involving risk they often take into account the implications for all aspects of their lives.** A number of women entrepreneurs interviewed slowed growth or capped growth to ensure their desired lifestyle including more time for family at various stages of their lives.

A woman entrepreneur's view on risk and success:

"Men view the balance sheet as important — women look at the balance sheet but life is important to them. Women will cap business success to have the lifestyle."

²³ Humbert and Brindley (2015:2-25)

Success in the entrepreneurial literature is defined as a lifestyle of pursuing high growth and chasing after high returns, however, this is a gendered definition of success. According to Dr. Jeff Cornell, Co-Founder of the Entrepreneurial Mind,²⁴ “[m]any female entrepreneurs — and, in fact, a growing number of young male entrepreneurs — deliberately limit the growth of their businesses to allow themselves time to pursue interests beyond the office.”

Women entrepreneurs’ views on risk are influenced by their sense of self-efficacy

Women who feel confident are more likely to make decisions involving risk than women who have self-doubts or fear of failure. However, with experience and success, respondents reported that they became more confident, less fearful of failure, and consequently they find it easier to make decisions related to risk. Others started their business with a great deal of confidence that they could succeed.

Women entrepreneur’s take on confidence:

“...confidence influences my willingness to take risks because I know more and have a better understanding.”

“Eight years in business, I become more of a risk taker as I grow in knowledge and experience. Initially looked at family now I will risk more. I will not risk it all but will keep a little back. Now I know if I lose it, **I can, and will rebuild.**”

“I knew it was risky but loved building things. This was more fun (rather than working for an employer) and it countered the fear of risk.”

“I was in a ‘soul destroying job’ so starting a business did not seem like a risk. **I had the confidence to start my business.**”

80%

The percentage of those interviewed in this study, who echoed the idea that women entrepreneurs face obstacles securing loans from banks.

Similar to the literature findings, interview data also supports that women entrepreneurs’ self-efficacy beliefs are often strengthened through experiences and success. Their sense of accomplishment increases their confidence and inspires them to take on bigger and better opportunities thereby increasing their ability to make decisions involving risks.²⁵

Women entrepreneurs’ attitude toward decisions related to risk is influenced by contextual factors

A number of women entrepreneurs’ reported they are or were in a position to make risk-related decisions because they grew up in an entrepreneurial family, had a supportive family to fall back on or qualifications to take up jobs in case of business failure or did not have a lot to lose at that point in their life.

However, none of the male entrepreneurs’ spoke about the option of family safety net. Rather some of them reported taking calculated risks so as to generate stable income to sustain their family.

A woman entrepreneur:

“I grew up in an entrepreneurial family. I started a business with a cousin and some other partners. I did not think of it as risky because I had nothing to lose. Later on when I became a single mom with two kids I started a software business... I felt it was less risky because I had a family safety net.”

Another woman entrepreneur:

“I have a family business background so grew up with that in my blood. Left the banking industry to strike out on my own. Decided to be self-employed and wasn’t worried about doing so... I could always get a job so launching a business wasn’t risky. I had confidence because I knew I could.”

The notion of risk is a gendered concept and for women it is reduced when they have supportive families.

Women entrepreneurs take a relationship oriented approach to business

Women tend to **build and grow their business by building and maintaining relationships with their clients, suppliers, and employees.** Success is not about starting a company and selling it quickly. It’s about staying in a business for a longer term. In fact for some women entrepreneurs’, a relationship oriented approach helped them to make decisions involving risks, decisions on how to mitigate risks and grow their businesses.

²⁴ Cornwell (2016). http://www.drjeffcornwall.com/2011/02/28/how_female_entrepreneurs_defin/

²⁵ Cornwell (2016).

I didn't think of it as risky because I had nothing to lose.”

A woman entrepreneur:

“Rented a big building to hold product before I had enough business. Though it was a big risk, had to get to get a large building because the big risk was loss of opportunity — lose reputation if you cannot supply your customers. Well known for her relationships with clients, she further adds, Relationship helps mitigate risks and pays off because they will pay higher prices for your product. ‘Relationships are so important to business.’”

“Delivery of my services depends on good relationships with insurance professionals etc. I always looks at three points — family, community, and business. A variety of communities are necessary to support my business.”

Many women see themselves as more communal and therefore want to maintain relationships that help them to get business as well as social and emotional support.²⁶

Women’s motivation to operate a business can influence their decisions involving risk

Many women start a business in order to be in control, experience challenge, create a product or service and gain financial independence; **many start business because of the necessity to generate income; and some take over their family business to better manage the operation.** These different motivations are more likely to influence their decisions involving risk. Women who start and run businesses for independence and challenge are more likely to make decisions relating to risk than the women entrepreneurs who need an income.

Women entrepreneurs’ motivation to start a business:
“I started because of family business and passion for it came later.”

“I started because I loved art, before I did all the work but did not own the business — took my passion for art, my skill set and decided to start my business. Because of the passion, acquired a warehouse for storage with a 10 year lease and took two loans — signed on the line personally because banks are becoming more risk averse.”

“I was a single mother and needed an income. I had no self-confidence when I started and but grew as I became more successful, had fear but overcame it.”

“I decided to start the business to show my children that an ethical business could be a success.”

These findings provide support to earlier research that entrepreneurs who are motivated by perceptual factors such as interest, confidence, and independence are likely to make more risk-related decisions for their businesses compared to individuals who had to take up entrepreneurship due to external forces such as need for income.²⁷

²⁶ Ibarra (1992:422-447)

²⁷ Chamorro-Premuzic, Rinaldi, Akhtara, and Ahmetoglu (2014: 1-6); Rotter (1966: 1-28)

I cannot work with bankers who only want numbers and not relationships.”

Women face greater obstacle in acquiring loans from banks

Women entrepreneurs in general are not satisfied with their experiences with financial institutions. **Lack of access to capital prevented many women from growing their businesses or slowed the process of growth because they had to self-finance their growth.** In fact, in many instances women entrepreneurs reported that they felt humiliated and frustrated by financial institutions' treatment of them. In their view financial institutions fail to understand the relationship oriented approach women entrepreneurs follow. Instead, banks and financial institutions are more concerned about security for their loans and projected earnings. Alternatively, **some women also showed reservations about debt stating they would rather bootstrap or**

manage their growth through cash income. They do acknowledge, however, this approach is likely to slow their pace of growth.

Women entrepreneur's view on bank loans:

“Most women start a business because they are passionate about something — not to make a million. Hard to have a conversation with banks if their goal is making money. I cannot work with bankers who only want numbers and not relationships. Being a bank for women cannot mean only making money for the bank (but it also need(s) to support women and their businesses.”

“Decided to start a business of making fragrance. I started using my credit card because I could not get a bank loan. I made a profit within six weeks.”

“Self-funded since my last loan because banks do not understand my business. When I tried to get a loan they told me that my dad would have to co-sign. I said no.”

The theme that **women entrepreneurs face obstacles in securing loans from banks** was echoed by more than 80% of the women interviewed for this study. This finding is similar to other studies that have looked into women entrepreneurs' financing approaches. By not advancing loans banks are missing opportunities to invest in women entrepreneurs businesses, losing revenues and missing the opportunity to look at risk more holistically.

Most women owned businesses are funded through personal finances

Often women start business with their own resources or by taking personal loans from friends, family, and/or organizations such as futurepreneurs or the Business Development Bank (BDC). There can be multiple reasons for **funding the business through personal finances such as lack of financial literacy, fear of being turned down by the bank, and general dislike toward debt.**

Director of a women's entrepreneur centre:

"Most women do not like to borrow. They start businesses for flexibility. They were working for someone else and said, 'I can do better' or they have a great idea."

"Started the business with loans from government, small business agency — no banks. Took more loans and financed with boot strapping. My first line of credit was in the past year."

"Women entrepreneurs do not go to banks but look to family and friends. They often do not understand the financials... If you do not understand the financials you cannot speak knowledgeably with a bank."

Because of the lending attitude of banks toward women entrepreneurs' businesses, many women prefer to

arrange funds by themselves. **They try to use their personal credit cards and lines of credit, loans from family and friends, funds from government grants, Futurepreneurs, Women's Enterprise centres and other similar organizations.**

Women entrepreneurs learn business fundamentals to operate and grow

Many women entrepreneurs reported that they took courses to start or to operate their business. Some also reported **learning the necessary terminology to apply and get bank loans.**

A woman entrepreneur's view on learning business fundamentals:

"I joined a women entrepreneurs' organization and met with a business advisor who helped me create a business plan... launched my business with a splash and it has been off to a great start."

Women avoid taking loans from venture capitalists or investors

Women entrepreneurs often want to have control over their businesses and avoid taking loans from venture capitalists or investors who want larger share. Alternatively they take on partners who can help them in running the business. The interview findings revealed a number of **women avoided venture capitalists and angel investors because the investors would gain too much control over their business.**

"VC's want too much control over the business and I do not want to give up that control."

04

A Framework for Risk and Female Entrepreneurship

I do not mind risk when I'm in control.”

There is an emerging literature on entrepreneurship which challenges the simplistic accounts of risk and female entrepreneurial activity. By using a holistic approach, this new literature tries to identify and analyze the multiple factors that affect female entrepreneurs' decisions involving risk and recognizes that there is no one path to successful entrepreneurship. Similarly the interviews with female entrepreneurs support the emerging literature and demonstrate the multiplicity of paths to entrepreneurship that are not reflected in simple statements such as risk averse or risk taker.

Some literature has suggested that factors affecting the entrepreneurial risk-taking propensity can be grouped under three broad categories: socio-demographic, perceptual, and contextual.²⁸ To start with, some scholars focused on to what extent socio-demographic factors (e.g., income and education levels) play a role in female entrepreneurial activity. For instance, using the Global Entrepreneurship Monitor (GEM) project data, one study did not find any significant relationship with age, work status, income level, and education to women's propensity to start businesses or take loans.²⁹ In contrast, SME financing data from Canada³⁰ reported that female business owners were generally younger compared to male business owners and although women were successful in acquiring some form of external financing, the majority of women-owned businesses were less likely to be approved for debt financing than

the majority of men-owned businesses. Another study suggested that with the same level of education, irrespective of their knowledge of finance, women entrepreneurs are not different from men in regards to making decisions involving risk. The study, however, did report differences in terms of age, income, and marital status.³¹ As many of the recent studies are finding narrowing gaps between men and women entrepreneurs in terms of socio-demographic factors such as age and education, the contribution of these factors in risk-taking and financing are becoming negligible.

Perceptual variables are said to be important predictors of entrepreneurial propensity and decisions involving risk for both genders. Perceptual variables can include assessment of one's own skills, knowledge, and ability (self-efficacy) with respect to starting and running a business, expectations that pursuit of such opportunities will lead to certain outcomes (e.g., autonomy and status — positive outcome expectations, or fear of failing — negative outcome expectations) and the motive to start-up business (e.g., economic — earning higher revenues, and non-economic — being in control of one's work).

Research has found evidence that expected favorable outcomes and the self-assessment of having adequate skills and knowledge are both positively related to men and women's decisions to start new businesses. Fear of failure, on the other hand, is negatively related to women's entrepreneurial decisions. Across different

²⁸ Arenius and Minniti (2005: 233-247);
Langowitz and Minniti (2007: 341-364)

²⁹ Langowitz and Minniti (2007: 341-364)

³⁰ Jung (2010). [https://www.ic.gc.ca/eic/site/061.nsf/vwapj/Profile-Profil_Oct2010_eng.pdf/\\$file/Profile-Profil_Oct2010_eng.pdf](https://www.ic.gc.ca/eic/site/061.nsf/vwapj/Profile-Profil_Oct2010_eng.pdf/$file/Profile-Profil_Oct2010_eng.pdf)

³¹ Hibbert et al. (2008 : 1-56)

countries men were less fearful about failure and more risk tolerant than women with respect to financial losses.³² Motive or intentions also play an important role in risk-related decisions and entrepreneurial success.³³

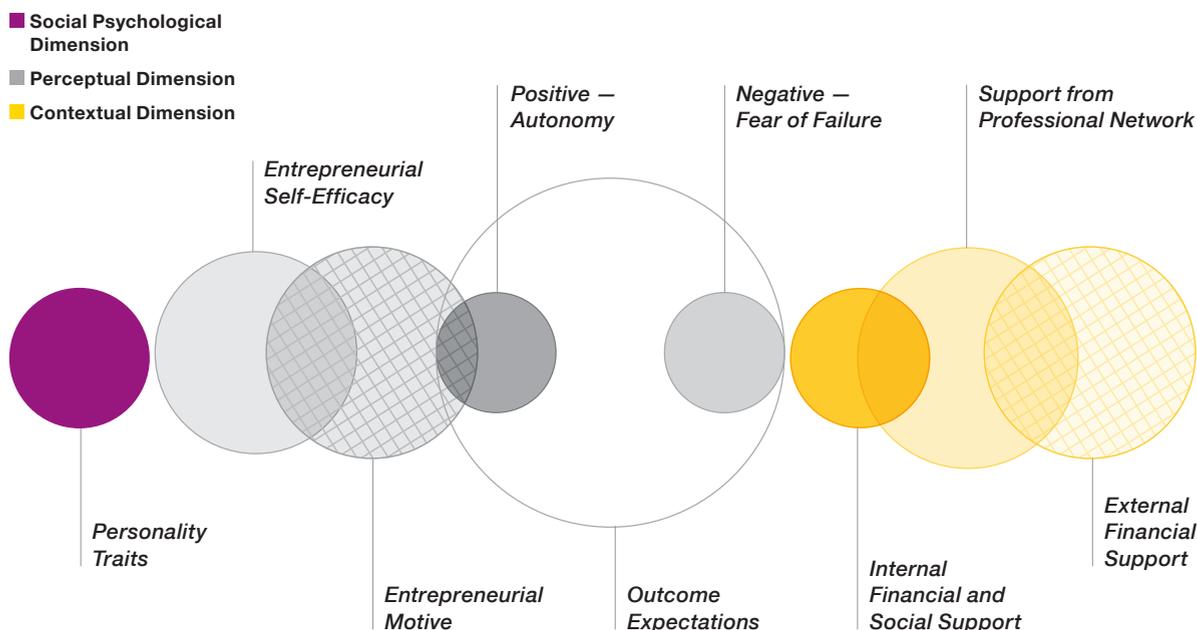
The contextual dimension, access to financial support from public and private sources, as well as informal networks (e.g., family and friends), affects risk-related decisions of female entrepreneurs to start, develop and expand their businesses. Support from professional networks (e.g., mentors and role models) can also have a positive influence on women’s risk-taking propensity to start, develop and expand their businesses. The presence of a role model/mentor is also helpful when starting out a business.³⁴ Alternatively, the presence of a role model/mentor may increase the entrepreneurial behaviour (e.g., making risk-related decisions) only if the role model is successful in changing a key attitude such as self-efficacy.³⁵ Many of the academic and published sources suggest that women face obstacles in accessing sufficient funding when they want to start-up or grow their own businesses. Women are often expected to undertake more domestic responsibilities compared to men which can impact their ability to grow at a faster rate. In this backdrop favorable contextual supports from both formal and informal sources can play a positive role in women entrepreneurs’ risk-related deci-

sions and entrepreneurial success.

In the present time with the growth in the number of success stories of women entrepreneurs, many might believe gender-related differences are no longer important within the SME sector and the problems women entrepreneurs face are not gender-specific but rather are related to their own behaviors and experiences within entrepreneurship that generate differences.³⁶ Our interview and focus group data reveals a paradox. While the behavior an entrepreneur exhibit is significantly influenced by his/her personality orientation and experiences, others’ responses to individual’s behaviour can still be based on an individual’s biological sex.³⁷ For example, women entrepreneurs in this study mostly expressed their dissatisfaction with the treatment they received from financial institutions regarding their loan applications lends support to the notion that the sex of the applicant, plays an important role leading to different outcomes for male and female entrepreneurs.³⁸

Building on the ongoing discussion, this section presents a framework based on a review of the literature to explain how sex and personality traits along with perceptual and contextual factors are related to entrepreneurial risk related decision making. Since perceptual factors are internal to a person, these factors will vary depending on an individual’s sex and their personality orientation.

Factors Affecting Women Entrepreneurs’ Risk-Related Decision Making



³² Carter Shaw, Lam, and Wilson (2007:427-444); Langowitz and Minniti (2007:341-364); Watson and Robinson (2003:773-788)

³³ Kirkwood (2009:346-364)

³⁴ Mattis (2004:154-163)

³⁵ Krueger and Brazeal (1994:91-104)

³⁶ Brindley (2005:145)

³⁷ Heilman (2001:657-674); Ahl (2006: 595)

³⁸ Sexton and Bowman-Upton (1990: 29-36)

01

Socio-Psychological Dimension

Personality Traits

Personality is important in understanding entrepreneurial career choice and performance.³⁹ An individual's personality includes five common characteristics, which may exist in varying degrees, regardless of their jobs, occupations, and work environment.⁴⁰ The five common characteristics include — neuroticism, agreeableness, conscientiousness, openness to experience, and extraversion.⁴¹

- **Neuroticism** represents the dimension of emotional stability;
- **Agreeableness** represents the dimension of cooperative values and preference for positive interpersonal relationships;
- **Conscientiousness** represents the dimension of persistence, hard work, and reliability;
- **Openness** to experience represents the dimension that characterizes someone who explores novel ideas and seeks new experiences; and
- **Extraversion** represents the dimension that characterizes someone who is assertive and sociable.

These five personality traits are found to be associated with risk-taking propensity. For example, one study showed that people who are more assertive and sociable (extraversion), open to novel ideas and experiences (openness to experience), but less persistent and reliable (conscientiousness), emotionally stable (neuroticism), and cooperative (agreeableness) tend to make decisions related to risk with less effort.⁴² In that regard, entrepreneurial personality can be an important predictor of decision-making related to risk and of

growth/entrepreneurial success. In another study on SME entrepreneurs results showed women entrepreneurs' are significantly more open than their male counterparts. Women entrepreneurs also demonstrated higher sociability and agreeableness traits supporting the study findings about women entrepreneurs taking a more relationship oriented approach although the differences were not significant. Interestingly, it was male entrepreneurs who demonstrated higher level of conscientiousness seemingly confirming the stereotypical notion that men are 'more cautious and less impulsive' than women.⁴³ Our interview findings demonstrate that women entrepreneurs are open to experiences but at the same time they demonstrate the traits of conscientiousness and neuroticism by taking calculated risks.

³⁹ Stewart and Roth (2001:145)

⁴⁰ Ones and Viswesvaran (2003:19-38)

⁴¹ Goldberg (1992:26-42)

⁴² Nicholson, Soane, Fenton-O'Creevy, and Willman (2005: 157-176)

⁴³ Envick, and Langford (2003: 7)

02

Perceptual Dimension

Self-Efficacy

Self-efficacy refers to a person's belief in his or her ability to complete a specific task successfully.⁴⁴ Self-efficacy beliefs 'determine how people feel, think, motivate themselves and behave'.⁴⁵ Accordingly it helps to determine how much effort a person is likely to put forward and how long they will persevere in the face of difficulty. Self-efficacy beliefs, in essence, reflect a person's level of confidence in his or her ability and are shaped by the following four personal experiences⁴⁶:

- Actual successes and failures; success builds confidence while failure can create self-doubts;
- Seeing people similar to oneself succeed or fail in a particular task can strengthen or weaken confidence;
- Support by others or their faith in an individual's capabilities can motivate the person to try harder to succeed and vice versa;
- Amount of anxiety and stress experienced while performing a specific task can also accelerate or hinder a person's self-efficacy.

Self-efficacy is found to influence risk and growth related decisions in entrepreneurship. More specifically an individual's strong belief in her/his ability to run a business leads to stronger intention to engage in entrepreneurial activities and venture creation.⁴⁷ Also, entrepreneurs high in self-efficacy are likely to set challenging growth expectations and make decisions related to risk that, in turn, lead to higher firm's performance.⁴⁸ While little is known about the interplay between sex, entrepreneurial self-efficacy and risk-taking, some studies suggest women have lower entrepreneurial self-efficacy⁴⁹ and

lower propensity to make decisions related to risk.⁵⁰ A recent study by Barclays revealed that female and male entrepreneurs scored similarly in terms of entrepreneurial self-efficacy, however, female entrepreneurs are less likely to take financially risky decisions than their male peers that can jeopardize their growth.⁵¹ The results from the Barclays study are based on new business creation and consider financial risk-taking. The interview findings from the present study based on entrepreneurs who are already in business suggest that women entrepreneurs are confident and as they experience success their belief in their ability strengthens, encouraging them to make more decisions involving risk.

Outcome Expectations

A closely related concept to self-efficacy is outcome expectations. Outcome expectations are judgments an individual makes about the likely consequence that a particular behaviour will produce (Bandura, 1986). Outcome expectations and self-efficacy are distinct constructs: outcome expectations are viewed as the consequences of behaviour, i.e. 'If I do this, what will happen?' And self-efficacy is 'Can I do this?'⁵² Self-efficacy usually results in positive evaluations of the self, but outcome expectations can be positive and/or negative. Positive outcomes may work as incentives whereas negative outcomes may work as disincentives to continue a particular behaviour.

Positive Outcome Expectations — Autonomy. Autonomy is considered to be a necessary factor for successful entrepreneurship. In general terms, it refers to 'the ability and will . . . [of an entrepreneur] . . . to be self-directed in the pursuit of opportunities.'⁵³ Autonomy is said to

⁴⁴ Bandura (1977:199-215); Bandura (1986)

⁴⁵ Bandura (1994: 71)

⁴⁶ Bandura (1994: 71)

⁴⁷ Arenius and Minniti (2005: 233-247); Boyd and Vozikis (1994: 63-77); Chen, Greene, and Creek (1998: 295-316); Markman, Balkin, and Baron (2002: 149-166); Markman, Baron, and Balkin (2005: 154-163)

⁴⁸ Hmieleski and Baron (2008: 57-72);

Hmieleski and Corbett (2008: 482-496)

⁴⁹ Sweida and Reichardand (2013: 296-313)

⁵⁰ Sexton and Bowman-Upton (1990: 29-36)

⁵¹ Barclays (2015: 26)

⁵² Lent, Brown, and Hackett (1994: 83)

encourage innovation, promote entrepreneurial ventures, and increase competitiveness and effectiveness of firms.⁵⁴ It allows both opportunity seeking and advantage-seeking behaviors⁵⁵ and therefore is likely to influence people's propensity to make risk-related decisions. Studies have found that an outcome such as autonomy is positively related to men and women's decisions to start new businesses. Women entrepreneurs are, at least, as autonomous as their male counterparts. By comparing 105 women-owned, top 10% businesses, with those of similar male business owners, one study found that women entrepreneurs scored significantly higher autonomy scores than their male counterparts. The study measured autonomy by assigning a higher score to individuals who strive 'to break away and may be rebellious when faced with restraints, confinement, or restrictions; enjoys being unattached, free, and not tied to people, places, or obligations.'⁵⁶ Another study conducted in Northern Ireland found that male and female entrepreneurs have similar autonomy scores.⁵⁷

Negative Outcome Expectations – Fear of Failing.

While autonomy works as an incentive to start or grow a business; fear of failure works as a disincentive that can inhibit entrepreneurship drives and risk-taking. Fear of failure describes the extent to which perceived fear affects the person's behaviour with respect to starting a business.⁵⁸ Literature on entrepreneurs indicates that fear of failure is one of the most important factors that determines whether or not an individual is willing to make decisions involving entrepreneurial risk.⁵⁹ The literature further suggests that fear of failing is not an important predictor for men's entrepreneurial propensity but it negatively impacts women's entrepreneurial propensity and decisions.⁶⁰ It is not clear whether this fear is present when a woman is actually making a risk related business decision or if it simply prevents women from making those higher-risk decisions thereby playing safe. Thus, it is important that the holistic approach to women's entrepreneurship and risk should take into account perceived fear and its impact on decision making. Our interview findings do reveal that women who feel confident are likely to make more decisions involving risk than women who have self-doubts or fear of failure.

Entrepreneurial Motive

Another important predictor of risk-related decision-making and entrepreneurial success/growth includes motive or intention. A basic assumption in literature is that entrepreneurs are driven by the economic motive of creating ventures and making them profitable.⁶¹ This is problematic because there are entrepreneurs who are driven by non-economic motives.⁶² Depending on the motive, entrepreneurs can be driven by achievement of success, generally some form of economic gain,⁶³ by the need to create work opportunities that provide them with career satisfaction,⁶⁴ or by the need to create opportunities that help them and others to be employed. It has been suggested that women entrepreneurs are driven more by non-economic motives (e.g., work-family balance) whereas men entrepreneurs' are driven more by economic motives (e.g., earning more money and having greater control).⁶⁵ However, more recent studies show, female entrepreneurs are less motivated by non-economic concerns such as work-family balance and flexibility and more motivated by economic factors such as earning more money, financial independence, unemployment, and the lack of work opportunities.⁶⁶ The Toronto Dominion Bank's 2015 report, Canadian Women Leading the Charge into Entrepreneurship, shows that only 25% of female entrepreneurs engage in entrepreneurship activity in order to achieve work-family balance and these female entrepreneurs take less aggressive business growth strategies. In contrast, 53% of women entrepreneurs are motivated because of their 'desire to be one's own boss, earn more money, and challenge or creativity,' while 22% of female entrepreneurs chose an entrepreneurial path due to lack of job opportunities.⁶⁷ The Barclay study also found women entrepreneurs scored slightly higher in terms of achievement motivation than their male counterparts.⁶⁸ Beyond the argument on economic and non-economic motives, the findings from the present study reveal that entrepreneurs who are motivated by perceptual factors such as self-efficacy and autonomy are likely to make more decisions related to risk for their businesses compared to the individuals who had to take up entrepreneurship due to external forces such as need for income.

⁵³ Lent, Brown, and Hackett (1994: 83)

⁵⁴ Brock (2003:57-73); Lumpkin, Coglisier, and Schneider (2009: 47-69)

⁵⁵ Ireland, Hitt, and Sirmon (2003: 963-989)

⁵⁶ Sexton and Bowman-Upton (1990: 29)

⁵⁷ Cromie (1987: 251-261)

⁵⁸ Langowitz and Minniti (2007: 347)

⁵⁹ Khilstrom and Laffont (1979: 719-748);

Ray (1994: 157-177); Wagner (2004: 1-39); Wagner and Sternberg (2004: 219-240)

⁶⁰ Wagner (2004: 1-39)

⁶¹ Carsrud and Brännback (2011: 9-11)

⁶² Cromie (1987: 251-261)

03

Contextural Dimension

External Financial Support

External financial supports (e.g., government grants and bank loans) can assist female entrepreneurs in their decision to start and expand their businesses. When women receive sufficient funding, they are likely to make decisions related to risk necessary to pursue their entrepreneurial intentions. Evidence suggests that limited access to funding prevents women from taking risks to expand and develop their firms.⁶⁹ While some studies indicated that there is no difference between female and male entrepreneurs in terms of their approval/turn-down rates to debt financing applications, other research showed that there was discrimination against female entrepreneurs, especially when they applied for funding from lenders.⁷⁰ A recent research study — which used Statistics Canada's Survey of Financing of Small- and Medium-sized Enterprises — examined whether there was any gender bias in decisions related to financing women-owned businesses in Canada. The study found that depending on the size and industry type, women-owned businesses were less likely to seek equity financing than male-owned businesses.⁷¹ The same study also reported that women and men entrepreneurs are equally likely to receive capital when they apply for funding refuting the claim of gender discrimination in terms of approval rates on commercial loans, leases, or supplier financing.⁷² A recent study in the United States found that loan approval rates for women-owned businesses were 33 percent lower than men-owned companies.⁷³ For the sake of argument, even if we accept there is no gender discrimination then the question is, why do women entrepreneurs not apply or seek loans from external sources at the same rate as men? What can financial institutions' do to en-

courage more women entrepreneurs to apply?

In terms of accessing external debt-equity financing, studies highlight that there is 'a significant disparity between the proportion of women-owned firms and the proportion of men-owned firms that have obtained equity capital.'⁷⁴ By using the annual data collected by the National Venture Capital Association in the United States, one study investigated the proportion of venture capital funded women-led businesses, the concentration of women-led and men-led venture capital funded businesses in specific industrial sectors, and the variation between men- and women-led businesses with regards to stages of investment for venture capital. The study found that the proportion of venture capital investments in women-led businesses was small. Also, women-led businesses were mainly concentrated in the service sector, whereas male-led businesses mainly operated in the manufacturing sector.⁷⁵ More recent research also reveals that companies with male CEOs attract more external financing such as venture capital investments than companies with female CEOs. By using a database that consisted of 6,793 US companies that received venture capital funding⁷⁶ between 2011 and 2013, the Diana Report Women Entrepreneurs 2014⁷⁷ revealed that only 2.7% of these companies had a women CEO. Likewise, companies with female CEOs only received 3% of the venture capital dollar amounting to US \$1.5 billion compared to the total of US \$50.8 billion invested during the period of 2011-2013. Moreover, companies with a woman executive on the team received 21% of the investments for later-stage funding, whereas, companies with women entrepreneurs received only 13% of the total investments in the early stage and only 9% in the seed stage. Investments made to companies with

⁶³ Reynolds, Bygrave, Autio, Cox, and Hay (2002)

⁶⁴ Cromie (1987: 251-261)

⁶⁵ Holmquist and Sundin (1989)

⁶⁶ Hughes (2006: 107)

⁶⁷ Hughes (2006: 107)

⁶⁸ Barclays (2015: 26)

⁶⁹ Bushell (2008: 555)

⁷⁰ Orsor, Riding, and

Manley (2006: 646)

⁷¹ Orser et al. (2006: 655)

⁷² Orser et al. (2006: 659)

⁷³ <http://www.cnbc.com/2016/03/02/the-gender-lending-gap-hurts-women-owned-biz.html>

⁷⁴ Orsor et al. (2006: 646-647)

⁷⁵ Orsor et al. (2006: 646-647)

A holistic model is an important tool to better assess funding decisions.

women CEOs were located mostly in software, bio-tech, health and medical, and business products and services. On the other hand, companies with male CEOs received almost 90% of their total investments in semiconductors, computers and peripherals/electronics and instrumentation, and media and entertainment. It appears that software holds less status than semiconductors and electronics in the computing industry.⁷⁶ Furthermore, the report found venture capital firms with women partners are twice as likely to invest in companies with a woman in the management team and three times as likely to invest in companies with women CEOs. Taking women entrepreneurs' view on venture capital and the findings from published sources, it is clear that there is gender-specific reasoning with respect to women entrepreneurs' access to venture capital.

Finally, crowdfunding has been identified as a potential source of funding for female entrepreneurs to overcome financial obstacles for starting-up and growing their businesses. As an alternative form of venture funding to traditional funding sources (such as bank loans and government grants), crowdfunding aims to obtain small amounts of funding from a large number of people, which generally takes place through the internet. There is some preliminary evidence that female entrepreneurs tend to be more successful in obtaining financial support through crowdfunding than through the traditional mechanisms.⁷⁹

Financial and Social Support from Family and Friends

When women receive financial and/or social support from their family and friends, they feel supported and

⁷⁶ *The venture capital funding included seed, early-state, and later-state funding.*

⁷⁷ *Brush et al. (2014: 7)*

⁷⁸ *Henwood (1993: 31-52)*

⁷⁹ <http://go.indiegogo.com/blog/2010/12/indiegogo-vs-venture-capital-women-34-more-successful.html>

encouraged to pursue their entrepreneurial ventures further by making risk-related decisions. Financial support from family and friends is identified as an important source of capital for the businesses of female entrepreneurs.⁸⁰ As noted in the findings section (Part III) of the present report, many women entrepreneurs reaffirmed that they financed their businesses using personal lines of credit, personal savings, and/or borrowing from friends. In some cases, 'an entrepreneur's family or extended family not only provides needed capital, but provides other resources such as access to markets, sources of supply, technology, and even new ideas'.⁸¹ In sum, social support (or lack of support) from family and friends can also affect the decision of female entrepreneurs to start-up a new business as well as impacting making an investment in riskier activities.

Studies also provide some evidence that female entrepreneurs tend to perceive and experience stronger social support from their families and friends when they start a business. Nevertheless, the study did not find any significant difference between male and female entrepreneurs 'with regard to the motivation to comply with social pressure concerning whether or not to start a new business'.⁸² Family support can help women entrepreneurs achieve a work-family balance⁸³ by taking care of childcare responsibilities.⁸⁴ However, this very notion of family and childcare responsibilities reflects a gendered viewpoint. The societal expectations that women will take care of their home and children creates a normative pressure on women entrepreneurs and therefore it is likely these women when they receive greater levels of family-to-business support feel relieved and more energized to succeed by knowing that their family is behind their entrepreneurial efforts.⁸⁵

Support from Professional Networks

Support from professional networks, business forums,

and access to mentors can play an important role in women's decisions for starting up and expanding their businesses. Such social sources of support can provide access to information that helps entrepreneurs to recognize opportunities for new venture creations and business growth.⁸⁶ A recent study on female and male owned SMEs in New Zealand found women with strong professional networks pursued a more expansionist growth strategy (in terms of increasing sales and high employment growth) for their businesses than men and women who did not have such networks.⁸⁷ The same study reported that women with strong use of networks also had access to business mentors who helped them to gain necessary confidence, information, and advice on starting a business and writing/developing a business plan.⁸⁸ Female entrepreneurs from the present study echoed similar views in terms of seeking advice, funding and collecting information, from professional networks such as Futurepreneurs and mentors.

In conclusion this complex and multi-dimensional approach integrating social- psychological orientation, perceptual and contextual factors for understanding risk would go a long way towards changing the conversations around women entrepreneurs approach in making decisions involving risk and uncertainty. Women entrepreneurs make decisions related to risk including to start a business, and all of the factors discussed above shape their approach and confidence with making these decisions. A holistic approach can help venture capitalists and financial institutions make more informed decisions respecting women entrepreneurs instead of merely assuming they are risk averse. Increased financing will support the growth of female entrepreneurship and help advance the economy. A holistic model is an important tool to better assess funding decisions.

⁸⁰ Dyer and Handler (1994: 71-84)

⁸¹ Dyer and Handler (1994: 73)

⁸² Ljunggren and Kolvereid (1996: 9)

⁸³ Eddleston and Powell (2012: 521)

⁸⁴ Rajani and Sarada (2008: 107-112)

⁸⁵ Eddleston and Powell (2012: 522)

⁸⁶ Ozgen and Baron (2007: 174-192)

⁸⁷ McGregor and Tweed (2002: 434)

⁸⁸ McGregor and Tweed (2002: 433)

05

Recommendations

1/ Changing Risk Metrics and Collecting Data

Financial institutions need to recognize that women entrepreneurs are comfortable making decisions related to risk. They look at risk as part of making decisions to sustain and grow their businesses.

2/

The metrics of business success used by lenders and investors should include a more holistic understanding of risk and a measure of sustainability that is often adopted by female entrepreneurs as a strategy of business growth. Fast projected growth should *not* be the determining factor, as sustainability is critical to business success in the longer term. Understanding that women seek to grow their business and not necessarily seek a speedy exit is important to financing decisions. Women often take a strategic approach to their business as a whole and to growth in particular.

3/

Gender disaggregated statistics are necessary for a full understanding of the needs and successes of women owned businesses. Financial institutions and governments need to gather evidence related to both male and female entrepreneurs and not assume that findings apply equally to both.

4/ Communications and Relations

Better communication channels between financial institutions and women entrepreneurs to facilitate applying for and accessing funding would be beneficial to all entrepreneurs. Women often find the process of seeking a business loan very onerous and they often feel humiliated by the application forms and how they feel treated by front-line staff. More streamlined and easy to access application processes are needed to encourage women entrepreneurs to seek funding and

to overcome their reticence based on past experiences of their own and other women entrepreneurs. Front-line staff of lender organizations, who deal with customers, should be trained to respond to the needs of female entrepreneurs. Often institutions assume simply placing a women in the lending role will solve all the challenges. Entrepreneurs want someone in the lending role who can understand their business irrespective of their gender.

5/

Financial institutions and investors can take a leadership role by adopting a new, more relationship-based approach when they work with female entrepreneurs. A holistic and “partner” approach would resonate with many female entrepreneurs. Women repeatedly spoke about the desire to have a relationship with their bankers and investors where they become more knowledgeable about the women's business and are not merely promoting their funds or services. Understanding the motivations for women starting their business and the goals they seek to achieve will provide insight into services that will advance women's entrepreneurship.

6/

Financial institutions and other investor stakeholder may need to develop communication strategies to increase awareness among female entrepreneurs about available

credit sources dedicated to female owned start-ups. Institutions can make women aware of availability of funds and support using multiple means including women's entrepreneur organizations, social media and other forms of marketing that are visited by and appeal to women entrepreneurs.

7/ Educational Opportunities and Support

Financial institutions should take a proactive approach and offer small and medium size businesses more educational opportunities such as financial literacy training, how to analyze risk in the business context and growth strategies in today's markets, and how to obtain and leverage funding for growth. Lending organizations can also partner with other entrepreneur organizations to provide these educational opportunities

8/

Mentorship programs can help women increase their confidence and business knowledge and may contribute to their business development. Further, mentors can coach, prepare and help the female entrepreneur on how to get funding for her businesses and how to grow and sustain her business. Financial institutions and governments can support mentoring programs for women entrepreneurs through women's enterprise centres and other entrepreneur organizations who are able to facilitate mentoring programs.

9/

Financial institutions should share success stories of financing women and how these institutions help them to build their business in order to address the concerns of women about financial institutions. Current recognition and awards programs highlight successful female-owned, high growth businesses but do not necessarily link the success of these companies to their funding partners.

10/ Enterprise Centres

Opportunities exist for financial institutions and investors to engage with female entrepreneurs at every stage of their business to build relationships and enhance their business growth. Providing information to entrepreneurs, and inviting them to educational and networking sessions that benefit their business are a few ways that institutions can help support women entrepreneurs.

11/

Government supported Women's Enterprise Centres are helping women entrepreneurs and these Centres should be expanded to offer services and funding opportunities to women entrepreneurs in all regions of Canada. Similar services in the US have proven to be very successful.

06

Conclusions — The Way Forward

Despite the dominant rhetoric that women are risk-averse, the number of female entrepreneurs has more than doubled in the last two decades.

Nevertheless, there are still some challenges (e.g., access to funding) discouraging women from starting and growing their own businesses. Based on insights obtained from female entrepreneurs, this report demonstrates the need for better tools and measurements of how women entrepreneurs make risk related decisions, the business needs and success of female entrepreneurs, the need for improvement of communication between financial institutions and women entrepreneurs (e.g., develop strategies to increase awareness among female entrepreneurs of available credit and promote a relationship-based approach in financial institutions), and the introduction of training and mentorship programs for women, as well as training for front-line staff of lending organizations.

Equally important, the report stresses the need to understand risk taking as a means to achieve social and economic goals, and not an end in itself. With such an understanding we can analyze the multiple factors that

influence female entrepreneur's decisions involving risk. At the same time a better understanding of women entrepreneurs' decisions relating to risk helps us discover multiple paths to female entrepreneurship congruent with different notions of success. The report recognizes the need to change the outcome-oriented perspective to risk which solely focuses on the degree of taking risk. Instead, it calls for a more process-oriented approach to risk, which focuses on how female entrepreneurs 'calculate', 'assess', and 'manage' risk under changing conditions and examines factors that influence the decision-making process including risk. It is evident from the study that women entrepreneurs make risk related decisions to sustain and grow their businesses. Taking a holistic approach to women's entrepreneurship is essential to support the aspirations of women to start and grow their own businesses and to support the growth of the Canadian economy. ▲

BIBLIOGRAPHY

- Ahl, H. (2006). Why research on women entrepreneurs needs new directions. *Entrepreneurship Theory and Practice*, 30(5), 595-621.
- Arenius, P. & Minniti, M. (2005). Perceptual variables and nascent entrepreneurship. *Small Business Economics*, 24, 233-247.
- Bandura, A. (1977). Self-efficacy: Toward a unifying theory of behavioral change. *Psychological Review*, 84(2), 191-215.
- Bandura, A. (1986). *Social foundation of thoughts and action: A social cognitive theory*. Eaglewood Cliffs, NJ: Prentice-Hall.
- Bandura, A. (1994). Self-efficacy. In V. S. Ramachaudran (Ed.), *Encyclopedia of human behavior* (Vol. 4, 71-81). New York: Academic Press. (Reprinted in H. Friedman [Ed.], *Encyclopedia of mental health*. San Diego: Academic Press, 1998).
- Barclays (2015). *The psychology of entrepreneurship: A data driven study into the motivation behind new business creation*. UK: Barclays. Retrieved from <https://www.home.barclays/content/dam/barclayspublic/images/news-newsite/2015/06/Barclays%20report%2020150616v1-final.pdf>
- Boyd, N.G. & Vozikis, G.S. (1994). The influence of self-efficacy on the development of entrepreneurs. *Entrepreneurship Theory and Practice*, 18(4), 63-77.
- Bird, B., & Brush, C. (2002). A gendered perspective on organizational creation. *Entrepreneurship: Theory and Practice*, 26(3), 41-66.
- Brindley, C. (2005). Barriers to women achieving their entrepreneurial potential: Women and risk. *International Journal of Entrepreneurial Behaviour & Research*, 11(2), 144-161.
- Brock, D.M. (2003). Autonomy of individuals and organizations: Towards a strategy research agenda. *International Journal of Business and Economics*, 2, 57-73.
- Brush, C. G., Greene, P. G., Balachandra, L., Davis, A. E., & Blank, A. M. (2014). *Diana report women entrepreneurs 2014: Bridging the gender gap in venture capital*. EY, Babson, and the Centre for Women's Entrepreneurial Leadership. Retrieved from: <http://www.babson.edu/Academics/centers/blank-center/global-research/diana/Documents/diana-project-executive-summary-2014.pdf>
- Bushell, B. (2008). Women entrepreneurs in Nepal: What prevents them from leading the sector? *Gender & Development*, 16(3), 549-564. Retrieved from: <http://sites.asiasociety.org/womenleaders/wp-content/uploads/2010/05/Women-entrepreneurs-in-Nepal-what-prevents-them-from-leading-the-sector.pdf>
- Boyd, N. G., & Vozikis, G. S. (1994). The influence of self-efficacy on the development of entrepreneurial intentions and actions. *Entrepreneurship Theory and Practice*, 18, 63-77.
- Carsrud, A. & Brännback, M. (2011, January). Entrepreneurial motivation: What do we still need to know? *Journal of Small Business Management*. 49(1), 9-11.
- Carter, S., Shaw, E., Lam, W., & Wilson, F. (2007). Gender, entrepreneurship and bank lending: The criteria and process used by bank loan officers in assessing applications. *Entrepreneurship Theory and Practice*, 31(3), 427-444.
- Chamorro-Premuzic, T., Rinaldi, C., Akhtara, R., & Ahmetoglu, G. (2014). Understanding the motivations of female entrepreneurs. *Entrepreneurship & Organization Management*, 3(1), 1-6.
- Chen, C. C. Greene, P. G., and Creek, A. (1998). Does entrepreneurial self-efficacy distinguish entrepreneurs from managers? *Journal of Business Venturing* 13, 295-316.
- Cornwell, J. (n.d.) How female entrepreneurs define success. Retrieved from: http://www.drjeffcornwall.com/2011/02/28/how_female_entrepreneurs_defin/
- Cromie, S. (1987). Motivations of aspiring male and female entrepreneurs. *Journal of Organizational Behavior*, 8(3), 251-261.
- Dyer, W. G., & Handler, W. (1994). Entrepreneurship and family business: Exploring the connections. *Entrepreneurship Theory and Practice*, 19(1), 71-84.
- Eddleston, K. A., & Powell, G. N. (2012). Nurturing entrepreneurs' work-

- family balance: A gendered perspective. *Entrepreneurship Theory and Practice*, 36(3), 513–541.
- Envick, B. R. and Langford, M. (2003). The Big-Five Personality Model: comparing male and female entrepreneurs. *Academy of Entrepreneurship Journal*, 9(1), 1–10.
- Goldberg, L. R. (1992). The Development of Markers for the Big-Five Factor Structure. *Psychological Assessment*, 4(1), 26–42.
- Heilman, M. E. (2001). Description and prescription: How gender stereotypes prevents women's ascent up the organizational ladder. *Journal of Social Issues*, 57, 657–674.
- Henwood, F. (1993). Establishing gender perspectives on information technology: Problems, issues, and opportunities. In E. Green, Owen, J., & Pain, D. (Eds.), *Gendered By design? Information technology and office systems* (31–52). London: Taylor and Francis.
- Hibbert, A. M., Lawrence, E., & Prakash, A. (2008). Are women more risk-averse than men? *Financial Management Association*, 1–56. Retrieved from: <https://www.researchgate.net/publication/228434430>
- Hmieleski, K. M., & Baron, A. (2008) when does entrepreneurial self-efficacy enhance versus reduce firm performance? *Strategic Entrepreneurship Journal*, 2, 57–72.
- Hmieleski K. M., & Corbett A. C. (2008). The contrasting interaction effects of improvisational behavior with entrepreneurial self-efficacy on new venture performance and entrepreneur work satisfaction. *Journal of Business Venturing*, 23(4), 482–496.
- Holmquist, C., & Sundin, E., (1989). The Growth of women's entrepreneurship—push or pull factors? *ELIASM Conference on Small Business, University of Durham Business School*.
- Hughes, K. D. (2006). Exploring motivation and success among Canadian women entrepreneurs. *Journal of Small Business and Entrepreneurship*, 19(2), 107–120.
- Humbert, A. L., & Brindley, C. (2015). Challenging the concept of risk in relation to women's entrepreneurship. *Gender in Management: An International Journal*, 30(1), 2–25.
- Ibarra, H. (1992). Homophily and differential returns: Sex differences in network structure and access in an advertising firm. *Administrative Science Quarterly*, 37, 422–447.
- Industry Canada (2010). The State of Entrepreneurship in Canada. Communications and Marketing Branch Industry Canada ([https://www.ic.gc.ca/eic/site/061.nsf/vwapj/SEC-EEC_eng.pdf/\\$file/SEC-EEC_eng.pdf](https://www.ic.gc.ca/eic/site/061.nsf/vwapj/SEC-EEC_eng.pdf/$file/SEC-EEC_eng.pdf))
- Ireland, R. D., Hitt, M.A., & Sirmon, D. G. (2003). A model of strategic entrepreneurship: The construct and its dimensions. *Journal of Management*, 29, 963–989.
- Jung, O. (2010). Women entrepreneurs. Small business financing profiles. Retrieved from: [https://www.ic.gc.ca/eic/site/061.nsf/vwapj/Profile-Profil_Oct2010_eng.pdf/\\$file/Profile-Profil_Oct2010_eng.pdf](https://www.ic.gc.ca/eic/site/061.nsf/vwapj/Profile-Profil_Oct2010_eng.pdf/$file/Profile-Profil_Oct2010_eng.pdf)
- Kihlstrom, R. E., & Laffont, J. (1979). A general equilibrium entrepreneurial theory of firm formation based on risk aversion. *The Journal of Political Economy*, 87(4), 719–748.
- Kirkwood, J. (2009). Motivational factors in a push-pull theory of entrepreneurship. *Gender in Management: An International Journal*, 24(5), 346–364.
- Krueger, N. F., & Brazeal, D. V. (1994). Entrepreneurial potential and potential entrepreneurs. *Entrepreneurship Theory and Practice*, 18, 91–104.
- Kulich, C., Ryan, M. K., & Haslam, S. A. (2007). Where is the Romance for Women Leaders? The Effects of Gender on Leadership Attributions and Performance-Based Pay. *Applied psychology*, 56(4), 582–601.
- Langowitz, N., & Minniti, M. (2007). The entrepreneurial propensity of women. *Entrepreneurship Theory and Practice*, 31(3), 341–364.
- Lent, R.W., Brown, S.D., & Hackett, G. (1994). Toward a unifying social cognitive theory of career and academic interest, choice, and performance. *Journal of Vocational Behavior*, 45, 79–122.
- Levine, R. & Rubinstein, Y. (2013). Smart and illicit: who becomes an entrepreneur and does it pay? Technical report, National Bureau of Economic Research.
- Ljunggren, E., & Kolvereid, L. (1996). New business formation: does gender make a difference? *Women in Management Review*, 11(4), 3–12.
- Lumpkin, G. T., & Dess, G. G. (1996). Clarifying the entrepreneurial orientation construct and linking it to performance. *Academy of Management Review*, 21(1), 135–172.
- Lumpkin, G.T., Coglisier, C. C., & Schneider, D. R. (2009). Understanding and measuring autonomy: An entrepreneurial orientation perspective. *Entrepreneurship Theory and Practice*, 33(1), 47–69.
- Markman, G.D., Balkin, D.B., & Baron, R.A. (2002). Inventors and new venture formation: The effects of general self-efficacy and regretful thinking. *Entrepreneurship Theory and Practice*, 27(2), 149–166.
- Markman, G.D., Baron, R.A., & Balkin, D.B. (2005). Are perseverance and self-efficacy costless? Assessing entrepreneurs' regretful thinking. *Journal of Organizational Behavior*, 26(1), 1–19.
- Mattis, M. C. (2004). Women entrepreneurs: out from under the glass ceiling. *Women in Management Review*, 19(3), 154–163
- McGregor, J., & Tweed, D. (2002). Profiling a New Generation of Female Small Business Owners in New Zealand: Networking, Mentoring and Growth. *Gender Work and Organization*, 9, 420–438.
- Nicholson, N., Soane, E., Fenton-O'Creavy, M., & Willman, P. (2005). Personality and domain-specific risk taking. *Journal of Risk Research*, 8(2), 157–176.
- Ones, D. S., Viswesvaran, C., & Schmidt, F. L. (2003). Personality and absenteeism: a meta-analysis of integrity tests. *European Journal of Personality*, 17(S1), 19–38.
- Orser, B. J., Riding, A. L., & Manley, K. (2006). Women entrepreneurs and financial capital. *Entrepreneurship Theory and Practice*. 30(5), 643–655.
- Ozgen, E., & Baron, R. A. (2007). Social sources of information in opportunity recognition: Effects of mentors, industry networks, and professional forums. *Journal of Business Venturing*, 22, 174–192.
- Rajani, N., & Sarada, D. (2008). Women entrepreneurship and support systems. *Studies on Home and Community Sciences*, 2(2), 107–112.
- Ray, D. M. (1994). The role of risk-taking in Singapore. *Journal of Business Venturing* 9, 157–177.
- Reynolds, P. D., Bygrave, W. D., Autio, E., Cox, L. W. and Hay, M. (2002). *Global entrepreneurship monitor 2002 executive report*. Babson College, Ewing Marion Kauffman Foundation and London Business School. Retrieved from: http://www.esbri.se/pdf/gemglobalreport_2002.pdf
- Rotter, J. B. (1966) Generalized experiences for internal versus external control of reinforcement. *Psychological Monographs*, 80, 1–28.
- Sexton, D. I., & Bowman-Upton, N. (1990). Female and male entrepreneurs: Psychological characteristics and their role in gender-related discrimination. *Journal of Business Venturing*, 5, 29–36.
- Statistics Canada (2012). Table 358-0261 - Survey of innovation and business strategy, types of marketing innovation introduced, by North American Industry Classification System (NAICS) and enterprise size, all surveyed industries, occasional (percent), CANSIM (database). (Accessed: 01.09.2015)
- Statistics Canada (2015). Table 282-0012 - Labour force survey estimates (LFS), employment by class of worker, North American Industry Classification System (NAICS) and sex, annual (persons), CANSIM (database). (Accessed: 01.09.2015)
- Stewart Jr, W. H., & Roth, P. L. (2001). Risk propensity differences between entrepreneurs and managers: a meta-analytic review. *Journal of Applied Psychology*, 86(1), 145–153.
- Sweida, G. L., & Reichard, R. J. (2013). Gender stereotyping effects on entrepreneurial self-efficacy and high-growth entrepreneurial intention. *Journal of Small Business and Enterprise Development*, 20(2), 296–313.
- TD Economics (2015). *Special Report: Canadian Women Leading the Charge into Entrepreneurship*.
- Wagner, J. (2004). What a difference a Y makes: Female and male nascent entrepreneurs in Germany. *IZA Discussion Paper Series*, 1134, 1–39.
- Wagner, J., & Sternberg, R. (2004). Start-up activities, individual characteristics, and the regional milieu: Lessons for entrepreneurship support policies from German micro data. *The Annals of Regional Science*, 38, 219–240.
- Watson, J., & Robinson, S. (2003). Adjusting for risk in comparing the performances of male- and female-controlled SMEs. *Journal of Business Venturing*, 18, 77–788.

