

International Studies in Entrepreneurship

Miguel-Ángel Galindo
Domingo Ribeiro *Editors*

Women's Entrepreneurship and Economics

New Perspectives, Practices, and Policies

 Springer

International Studies in Entrepreneurship

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Editors

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Chapter 1

Introduction

Domingo Ribeiro and Miguel-Ángel Galindo

During the last decades, an important body of literature on entrepreneurship has arisen. The topic, however, was not new. In the history of economic thought, several authors have stressed the relevance of entrepreneur activity on economic performance. Entrepreneurs use the resources that society puts in their hands to produce more or new goods and services, thereby increasing society's welfare. Sometimes, the authors have also focused on the effects of entrepreneurship on economic progress considering the role of technology and innovation on economic agents' behavior. In these studies, and depending on the author's position, positive and negative effects of entrepreneurship have been shown and measures outlined that could enhance or reduce the negative effects of that activity.

Recently, economists have again considered the role of entrepreneurship on economic activity. Looking at the factors that promote economic growth, economists have gradually included qualitative variables in their economic growth models. One of these variables is entrepreneurship, considered as one of the factors that could promote this economic policy objective.

Following the modern perspective, it is possible to consider four main types of entrepreneurships (Bahmani-Oskooee et al. 2011):

1. Innovator, following Schumpeter's (1911, 1950) thesis: Schumpeter says entrepreneurship activity implies innovation in the introduction of a new product, organization, or process, generating a destruction process.

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2. Profit opportunists (Kirzner 1973, 1999): Kirzner and Schumpeter consider that entrepreneurs try to take advantage of profit opportunities, but contrary to Schumpeter's view the entrepreneur learns from past mistakes and tries to correct them, driving the market toward equilibrium.
3. Uncertainty (Knight 1921): Knight considered uncertainty to be an important factor for entrepreneurs because they have to take it into account and to adopt decisions in an uncertain world.
4. Baumol (1990) states that entrepreneurs are creative and ingenious, searching for more appropriate means to increase their wealth, power, and prestige. They are influenced by the existing environment around them.

On the other hand, the active participation of entrepreneurs in the working world is increasingly apparent with their ubiquity in business at every level and with the development of economic spaces, where entrepreneurial groups can express their potential and creativity. This has obliged policy makers within the global economy to consider entrepreneurship as a determining variable in any political force not only for bodies and groups created specifically to this end, but also for any decision-making body. Specific actions promoting entrepreneurship have already been established around the world.

In this as well as in the labor market, women have developed their entrepreneurship activity, which has had positive effects on economic growth and other economic policy objectives. However, they present some different aspects in their activity and they must deal with different problems from those faced by male entrepreneurs, aspects that must be analyzed.

The chapters included in this book analyze the different aspects of women's entrepreneurship, considering the problems that they must face as well as the main aspects of their activity. The chapters are grouped in four parts.

The first part is focused on the female economic perspective. In Chap. 2, entitled "Women's Approach to Economics and Firms," Miguel-Angel Galindo Martín, Domingo Ribeiro, and Juan José Rubio Guerrero present the main elements of the female economic perspective during the Classical and Neoclassical periods. In general terms, this literature was concerned with the wage differences between women and men, women's education, and the position of women in the family. However, it is also of interest to take into account that some women were interested in furthering or popularizing the economic ideas considered orthodox, as it is the case of Millicent Garrett Fawcett. Others helped develop pioneered new approaches, e.g., Minnie Throop England.

The six chapters in Part II focus on policies and performance. In Chap. 3, "Women's Entrepreneurship and Economic Policies," Mohsen Bahmani-Oskooee, Miguel A. Galindo, and María Teresa Méndez Picazo analyze the relationship between women entrepreneurship and economic growth. After discussing the characteristics of women entrepreneurs as compared to male entrepreneurial activity, an empirical study is developed based on some OECD countries. This study looks at the effects of monetary and fiscal policies on women entrepreneurship. Based on the results of this analysis, some economic policy measures are offered

that take into account the indirect negative effects that some fiscal measures could have on their activity.

In Chap. 4, “Women, Research and Entrepreneurship,” Sahar Bahmani, Francisco Escribano, and Isabel Pardo discuss the situation of women as researchers and entrepreneurs, presenting some of the most relevant findings in relation to both fields in the early twenty-first century. Although women have increased their participation in every sphere of public life, they remain underrepresented in many areas. There are women entrepreneurs, but their companies are smaller and they work in less-innovative sectors. Understanding why the “scissors effect” takes place or, in the same sense, why the process of the professional advancement of women to positions of power and decision making appears to flow through a “leaky pipe” might help to resolve this problem, and thus optimize the use of human capital and enhance the growth potential of countries.

In Chap. 5, entitled “Linking Women Entrepreneurship with Social Entrepreneurship,” María Mar Benavides-Espinosa and Antonia Mohedano-Suanes state that a greater sensitivity on the part of women toward social problems in their environment has enabled their presence in the area of social entrepreneurship through the identification of social needs (problems of social exclusion, insertion into the job market, gender inequalities, etc.), which they do by contributing original solutions to these problems via creative business models. Namely, the authors analyze several cases of social entrepreneurship among women from which they have been able to draw conclusions, relating the motives for female entrepreneurship, either driven by necessity or opportunity, with the different types of organizations suggested by researchers within the framework of social entrepreneurship.

In Chap. 6, entitled “Women Entrepreneurs and Success,” Kerstin Ettl and Friederike Welter analyze the concept of success in women entrepreneurship activity. This analysis is relevant because often women business owners and entrepreneurs are seen as *less successful* than their male colleagues. However, research does not call the definition of success into question. Taking this into account, a model of women entrepreneurs’ success is developed, including individual and contextual aspects, that is empirically estimated using the data obtained in 31 in-depth interviews with women entrepreneurs and 23 interviews with key experts in four German regions between August 2007 and March 2008.

In Chap. 7, “Women Entrepreneurship and Performance,” Joaquín Aldas Manzano, Clara Martínez-Fuentes, and Manuela Pardo-del-Val analyze the relationship between performance and gender. There is a wide range of researchers who state that organizational performance is gendered, as businesses owned by women are less successful than those owned by men. However, the literature also provides studies where the opposite is stated. There are even authors that suggest that there is no link between performance and gender. In order to analyze this interesting topic, an in-depth literature review is undertaken, analyzing the most outstanding reasons for gendered performance. The chapter ends with a detailed examination of the data offered in the Global Entrepreneurship Monitor (GEM), which suggests that horizontal segregation, lower self-confidence, and less economic capital are characteristic of female entrepreneurship and could be an explanation for underperformance.

In Chap. 8, entitled “Why Women Claim to Be Less Entrepreneurial than Men,” Roberto Espíritu-Olmos and Miguel Angel Sastre-Castillo try to determine the different situations (personal, external, ...) that could affect women in their decisions to carry out an entrepreneurship activity.

Part III is centered on finance aspects and includes three chapters.

In Chap. 9, entitled “Women Entrepreneurship, Finance and Internationalization,” Edward Nissan, Inmaculada Carrasco, and María Soledad Castaño study the role of gender in entrepreneurship, international trade, and innovation carrying out a large-scale empirical analysis covering countries of five continents. They state that even if the contribution of male and female entrepreneurship to economic growth is similar, since men have higher rates of entrepreneurship, its contribution is proportionally higher. On the other hand, a positive relationship between business internationalization and innovation is achieved.

In Chap. 10, “The Profile of the European Entrepreneur: Economics and Finance, a Gender Analysis,” Francisco R. Rodríguez, Víctor M. González Sánchez, and Susana de los Ríos Sastre show the profile of current European entrepreneurs, analyzing their characteristics and contribution to the European economy. They take into account that case studies developed on the behavior pattern of European entrepreneurship show that, currently, there is less entrepreneurial dynamism in European Member States compared to other countries outside Europe and gender gaps remain persistent. Hence, the main goal of their chapter is to provide an image of both male and female entrepreneurs in Europe through their differences or similarities, with regard to aspects, such as employment, education, activity sectors, or access to finance, in comparison with other reference countries.

In Chap. 11, entitled “Microcredits for Women’s Entrepreneurship: Are They an Effective Tool to Avoid Family Impoverishment?,” Jorge Alberto Gámez Gutierrez and José Manuel Saiz-Álvarez analyze the role of women in the microcredit system, in terms of support, responsibility, and joint liability lending (JLL), based on a lender experience and the state of the art. Taking into account some problems of microcredit, the moral hazard problem for example, they present some solutions to diminish them, based on basic education, state support, national and international supervision, suitable nongovernment organizations (NGOs), and information transparency. These factors create a virtuous circle that benefits society as a whole, including microfinancial institutions.

Finally, Part IV includes other relevant aspects of women entrepreneurship.

In Chap. 12, entitled “Woman Entrepreneurship and Gender Accountability,” Marta Peris-Ortiz, Daniel Palacios-Marqués, and Carlos Rueda-Armengot take into account the women’s biological characteristics, which involve a period characterized by maternity, as a serious obstacle to reconciling women’s professional and family life. The existence of measures or human resources practices that can facilitate compliance with their gender responsibilities in the family (part-time working, flexible working, and nurseries) mitigate the problem but do not solve it in a society, where male success models shape the way work and the burden of child care is distributed in families. The authors conclude that two aspects must be

considered: changing the forms of female work and transforming the society in a more deep sense.

In Chap. 13, “Women in University Education and in the Professional Environment,” Rosa González-Tirados stresses the important role that education in general and university education in particular play in order to achieve better working conditions in the labor market. Different aspects and characteristics of the labor market are also considered. In this endeavor, and admitting that there are differences between men and women in relation to a large number of variables regarding aptitude, attitude, behavior, etc., it is important to realize that there are jobs that cannot be equitable, where men and women participate on an equal footing. Men and women should move forward in a context of equality in respect of their duties, qualities or skills, retribution, and position.

And finally, Marie Claire Malo, Inmaculada Buedía-Martínez, and Marine Vèzina, in “A Conceptualization of Women’s Collective Entrepreneurship: From Strategic Perspectives to Public Policies,” identify the two transformative perspectives at the foundation of women’s collective entrepreneurship: self-management and feminism that converge and differ. The strategic positioning of the transformative perspectives in public policies is also analyzed, considering the movements to develop their strategic capability to mobilize resources, such as those of the state.

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Part I
Women's Economic Thought

Chapter 2

Women's Approach to Economics and Firms

Miguel-Ángel Galindo, Domingo Ribeiro, and Juan José Rubio

2.1 Introduction

References to women's approaches to economics are rare in the classical and neoclassical economic literature. The few exemptions include Mary Palley Marshall, Harriet Hardy Taylor Mill and Harriet Martineau. However, references to their work are very marginal, with the economic literature stressing the views of Adam Smith, Ricardo, Marshall and Keynes.

Recently, the literature has begun to consider the publications of several groups of women whose work was well-received, and, in fact, some of which were used to advance the "orthodox" ideas and others of which were considered as pioneers of now-accepted approaches. Examples of the former include the works of Harriet Martineau and Millicent Garrett Fawcett (Fawcett 1870, 1874). In the second group, we can consider the approaches of, for example, Minnie Throop England, who between 1905 and 1915 published relevant articles about the crisis considered by Irving Fisher in his celebrated *The Purchasing Power of Money* (1911), co-authored with John Maynard Keynes. Another example is Karin Kock, whose *A Study of Interest Rate* (1929) is considered a pioneer work on the monetary policy of the Stockholm School of economic thought.

Despite these examples and others that could be included (Dimand 1995 pp 1–11), the female perspective of women on economics has not been considered relevant. Two main circumstances could explain this (Pujol 1992 pp 2–3). First, the economy has

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been dominated by men and shows a high level of androcentrism. Second is the neoclassical paradigm itself and its inherent limitations. In this paradigm, it is very difficult to introduce those questions in which women are interested, as it stresses issues relating mainly to exchange, excluding non-monetary questions. This paradigm also deals with a very restricted hypothesis on behaviour, especially in relation to the way individuals live, and not taking into consideration the circumstances of women. Finally, the instruments used by the paradigm (models, equations) do not allow for analysis of the problems that women face in the labour market.

Recent literature has tried to avoid these problems and to complete the *homo economicus* hypothesis, including different aspects related to women's behaviour. In the chapters of this book, we consider the aspects related to entrepreneurship activity. It is also interesting to know the main approaches of women in economics that would complete the views developed in the following articles. For this reason, we analyze in this chapter the main female economic approaches. In Sect. 2.2, the women's situation in the eighteenth and nineteenth centuries is exposed. In Sects. 2.3 and 2.4, the classical and neoclassical approaches, respectively, are analyzed. In Sect. 2.5, productivity and firms' activity are considered. Conclusions are considered in Sect. 2.6.

2.2 Women's Situation during the Eighteenth and Nineteenth Centuries

To better understand the female economic perspective, it is necessary to consider their social situation. In general terms, the idea was that middle-class women had to tend the home and care for the children. This was different in the case of the lower classes because often men's salaries were not sufficient to meet the family's expenses, so the women, by necessity, had access to the labour market. Even then, this activity was criticized by some reformers because they thought it would negatively affect the family's welfare (James 2006 p 343). Therefore, in general with the exception of the latter case, it was considered that husbands must protect their wives and wives must attend to the needs of the home, oversee the servants, and take care of the children. As Ruskin (1865) stated in *Sesame and Lilies*, women's lives should be dedicated to making their husbands happy. Thus, their *activity* must be focused on finding a good husband in order to have adequate means to carry out their primary function in the home.

In the middle of the nineteenth century, this situation changed in part. Trade expansion made it necessary to employ more production workers, and, thus, young women gained access to the labour market. However, the prevailing mentality remained unchanged. This acquiescence was only a concession, and women were still required to attend to their perceived domestic responsibilities in addition to their jobs, jobs for which their salaries were lower than men's. Leoni Levi's (1885) tables showed that in 1867 the average salary of women under the age of 20 was

slightly higher than that of their male counterparts (20£ and 19£, respectively), but the average salary of women over 20 was significantly lower than that of men (28£ and 49£, respectively). The situation was similar in 1884, but with greater disparity in female/male wages in the case of women under 20 years of age (6£).

From the economic point of view, this wage difference could be explained by the different education received by women, a situation some thinkers criticized. For example, Condorcet, in his *Cinq Mémoires sur l'instruction publique (Five reports on public education)* (Condorcet 1791), states that women should have the same education as men. He goes on to say that this training would be useful as it would increase the happiness of the family because the husband would not forget the knowledge acquired in his youth thanks to his conversations with his wife (quoted by Crampe-Casnabet 1993 p 378).

It is also relevant to take into account that some writers have criticized this view of women's education, as is the case in Gissing's novel, *Odd Women* (1893), or Bellamy's, *Looking Backward*, a futuristic utopian work that made a great impression at the time of its publication. For example, Chap. XXV states that women will be relieved of their activities at home in the future and they will be members of the *industrial army*, working alongside men (Bellamy 1888, p 150).

As we have seen, the social environment prevailing in the eighteenth, nineteenth and early twentieth centuries was not very favourable towards women. As her primary role was considered to be to care for and manage a family, it was important for women to make a good *choice* of marriage. Even though some women were forced into the job market because the husband could not financially meet all his family's needs, and some women gained access to employment due to economic expansion, still the core mandate for women was to care for the family.

Some of these issues were considered in publications on economics by women, with education being the most relevant issue in the earliest of these. But with the development of economic thought, different topics were included in the analysis. Following the traditional division in the history of economic thought, we consider two main contributions: classical and neoclassical.

2.3 Classical Contributions

The foundation of the classical approach is generally considered to be Adam Smith's *The Wealth of Nations* (1776), which served as the basis for development. Classical authors advocated free trade and minimum intervention by the state in the economy because they supposed that the markets were efficient. In turn, the division of labour generated beneficial effects on productive activity and skills that promoted and facilitated innovation and enhanced the development of natural and acquired talents (Smith 1776 II1). This led to an increase in output (*market expansion*), which led to a greater division of labour and ultimately greater economic growth.

On the other hand, Adam Smith developed a supply-side economic growth model¹ that includes the economic elements that he considered relevant. In the model, he introduced a production function considering that output growth depends on three factors: population growth, investment and land growth. Population growth depends on the available sustenance, investment on the rate of savings generated basically by capitalists and land growth on technological fertility's improvements of unproductive lands or the conquest of new lands.

Technological progress could also be growth enhancing and the division of labour plays a relevant role in the process. Technological progress facilitates production tasks and increases the competitiveness of the firms. The origin of division of labour is the effect derived from certain individuals' propensity to barter because they consider that it is the best way to transform costs of transacting into benefits (Smith I.ii.1). So,

As it is the power of exchanging that gives occasion to the division of labour, so the extent of this division must always be limited by the extent of that power, or, in other words, by the extent of the market (Smith I.iii.1).

Considering this origin and limitation, division of labour is a cause and an effect of economic growth. The capital accumulation process increases population and employment, and the manufactured goods are broadened. This extension of the market drives the division of labour, and the effects derived from this division enhance economic growth. Greater economic growth extends the market, facilitating a new division of labour. But it is necessary to take into account that this division does not always have a positive effect on economic growth. Adam Smith in Book I of *The Wealth of Nations* analyzes the positive effects, and Book V shows the negative ones.²

From the positive effects point of view, division of labour shows three effects:

The greatest improvement in the productive powers of labour, and the greater part of the skill, dexterity, and judgement with which it is anywhere directed, or applied, seem to have been the effects of the division of labour (Smith I.i.1).

In modern terms, these effects would be increased skill, time saved in the transition from one task to another, furthering innovation, and facilitating the development of natural and acquired talents. As division of labour increases output (increases *the extent of the market*), it encourages the possibility of further division of labour and, thus, further growth. For this reason, Smith argued that growth was self-reinforcing as it exhibited increasing returns to scale.

The negative effect of labour division is shown in Book V (Smith V.i.f. 47–51) as being mainly a social cost and not an economic one. It is due to the monotonous,

¹ An economic growth model based on Adam Smith's ideas is developed by Eltis (2000, Chapter 3).

² It can be considered that from a macro point of view the effects are extremely positive, but from a micro perspective the costs of the division of labour are also greatly negative. On this topic, see Rosenberg (1990).

simple task to be developed by the worker derived from such division.³ Education is the basic factor that can reduce or eliminate this negative effect that limits economic growth possibilities.⁴ And it is such an important limitation to economic prosperity that Smith introduces an exemption to his *laissez-faire* approach, stating that the government must not only care about but intervene in education.

In general terms, Adam Smith considered at least five ways in which the influence of education on different factors and variables would have indirect effects on economic growth: division of labour, reducing inequality, decreasing social strains, commerce and capital social formation. All these factors are currently valid, although modern theoreticians concede some relevance to other factors, such as health or fertility.

Thus, education plays a central role and Adam Smith believes that families are responsible for providing. If they cannot, the government should step in and do so.

For a very small expense the public can facilitate, can encourage and can even impose upon almost the whole body of the people, the necessity of acquiring those most essential parts of the education (Smith 1776 V.if. 54).

In the case of women, Smith states that they should be recipients of this provision in order to prepare their children for what society asks of them (Smith 1776 V.if. 47). However, it is necessary to take into account that Adam Smith considers two kind of education: minimum, that is, the education that everybody has to achieve and higher, that is, education for those who want to improve their training and who must, therefore, pay for it.

The main problem with this approach is that there is a very large *gap* in the type of training received by men and women, with earlier access to better jobs going to those who have higher education. This gap maintains inequality in the labour market between men and women, a circumstance considered by the women economists as they realize how important education is. In this sense, for example, Mary Wollstonecraft (1792) noted that women needed education not only to be pleasing to men and have something to talk about with them, but also because if they are not better trained

they will stop progress of knowledge and virtue. (Wollstonecraft 1792 p XVI).

And men and women must be educated

to a large extent by the views and ways of society in which they live. (Wollstonecraft 1792 p 17).

³ In his *Lectures on Jurisprudence*, Adam Smith considers another effect: "A man has then time to study only one branch of business, and it would be a great disadvantage to oblige every one to learn the military art and keep himself in the practice of it. The defence of the country is therefore committed to a certain set of men who have nothing else to do; and among the bulk of the people military courage diminishes. By having their minds constantly employed on the arts of luxury, they grow effeminate and dastardly" (Smith 1978 p 540).

⁴ In this sense, Winch (1978 p 119) considers education as an antidote to the corrupting influence of division of labour trying to introduce ancient provisions for gymnastic exercises and music.

In short, according to Adam Smith, women, apart from performing some productive work, play an essential role in creating an enabling environment for children and providing them with adequate preparation for the future, and creating an adequate social climate.

We can classify the contribution to economics by women into two groups. The first group includes short works, the main objective of which is to disseminate ideas dealing with the political economy in the clearest and simplest way. In this group, we can include Jean Marcet's *Conversations on Political Economy* (Marcet 1816). In this book, Marcet, using different dialogues between Mrs. Bryant and Caroline, presents various principles put forward by Adam Smith, Ricardo, Malthus, Sismondi and Say. The book was highly praised by Malthus, Ricardo and Say. It was not the only book he wrote on this subject, but the other two, *John Hopkin's of Political Economy* (1833) and *Rich and Poor* (1851), were less celebrated.

The second group would include contributions relating to the status of and economic opportunities for women. We can include Priscilla Wakefield's book, *Reflections on the Present Condition of the Female Sex* (Wakefield 1798). She begins by saying that Adam Smith does not specify that both sexes are beneficial to society and that women have the same qualities as men, although possibly in different degrees. For this reason, Wakefield expounds on the role that women play in society in terms of their usefulness. In this process, she affirms the need "for women to be educated for lucrative jobs" and says that it is absurd that society does not allow this kind of training (Wakefield 1798 p 29). In this sense, married women should be educated in order to educate their children, and single women should be educated so that they can earn their livelihood in a dignified and honourable profession (Wakefield 1798 p 40). Finally, it is also interesting to take into account that Wakefield promoted further education for women not on the basis of their equality with men, but to enable them to better perform their roles (Dimand 2003 p 201). This approach is of great interest to the labour market analysis, as is shown in the next sections.

2.4 Neoclassical Approach

The neoclassical approach is acknowledged to have largely followed the approach of the classical authors, formalized from the viewpoint of mathematical ideas, with emphasis on market equilibrium, behaviour of individuals and the necessity of free trade. On the other hand, it is also relevant to take into account that the neoclassical thinking about women was not positive. The neoclassical position on women can be characterized in the following five points (Pujol 2003 p 22):

1. All women are married or will be and have or will have children.
2. Women are economically dependent on their husbands or fathers.
3. They specialize in housework.
4. They are unproductive in the industrial arena.
5. They are irrational and, therefore, are not expected to make sound economic decisions.