

Women's Entrepreneurship Around the Globe

An analysis from the Global Entrepreneurship Monitor, 1999 to 2002

The Global Entrepreneurship Monitor (GEM) research program is an annual worldwide assessment of entrepreneurial activity. Initiated in 1999 with 10 countries, it expanded to 21 in 2000, 29 in 2001 and 37 countries in 2002. The major objectives of the research program are to: measure differences in the level of entrepreneurial activity between countries; probe for a systematic relationship between entrepreneurship and national economic growth; uncover factors that lead to higher levels of entrepreneurship; and suggest policies that may enhance the national level of entrepreneurial activity. GEM has closely examined the link between the demographic make-up of a country and the achieved level of entrepreneurial activity and has found a very strong causal relationship. Several critical demographic dimensions have emerged: the age structure of a population, the level of participation by women in the entrepreneurial process, and anticipated population growth. This issue in brief summarizes GEM's findings related to women's entrepreneurship, including status by country, differences from men's entrepreneurship, and recommendations for change. A more in-depth analysis on women's entrepreneurship from the 2002 GEM project has recently been published. This Issue in Brief highlights the major findings with respect to women's entrepreneurship from all four GEM studies.

The Status of Women's Entrepreneurship

In 2002, the average rate of entrepreneurship among women across GEM countries was 8.9%, meaning that one in eleven women is an entrepreneur, with a wide range across the 37 GEM countries. In Thailand, fully 18.5% of women are entrepreneurs, compared to just 0.6% of women in Japan. The GEM countries with the highest levels of entrepreneurship among women in 2002 are, in descending order:

- Thailand (18.5%);
- India (14.1%);
- Argentina (11.5%);
- Brazil (11.1%);
- China (11.0%);
- New Zealand (10.6%);
- Mexico (10.3%);
- Chile (9.5%);
- Korea (8.6%); and
- the United States (8.1%).

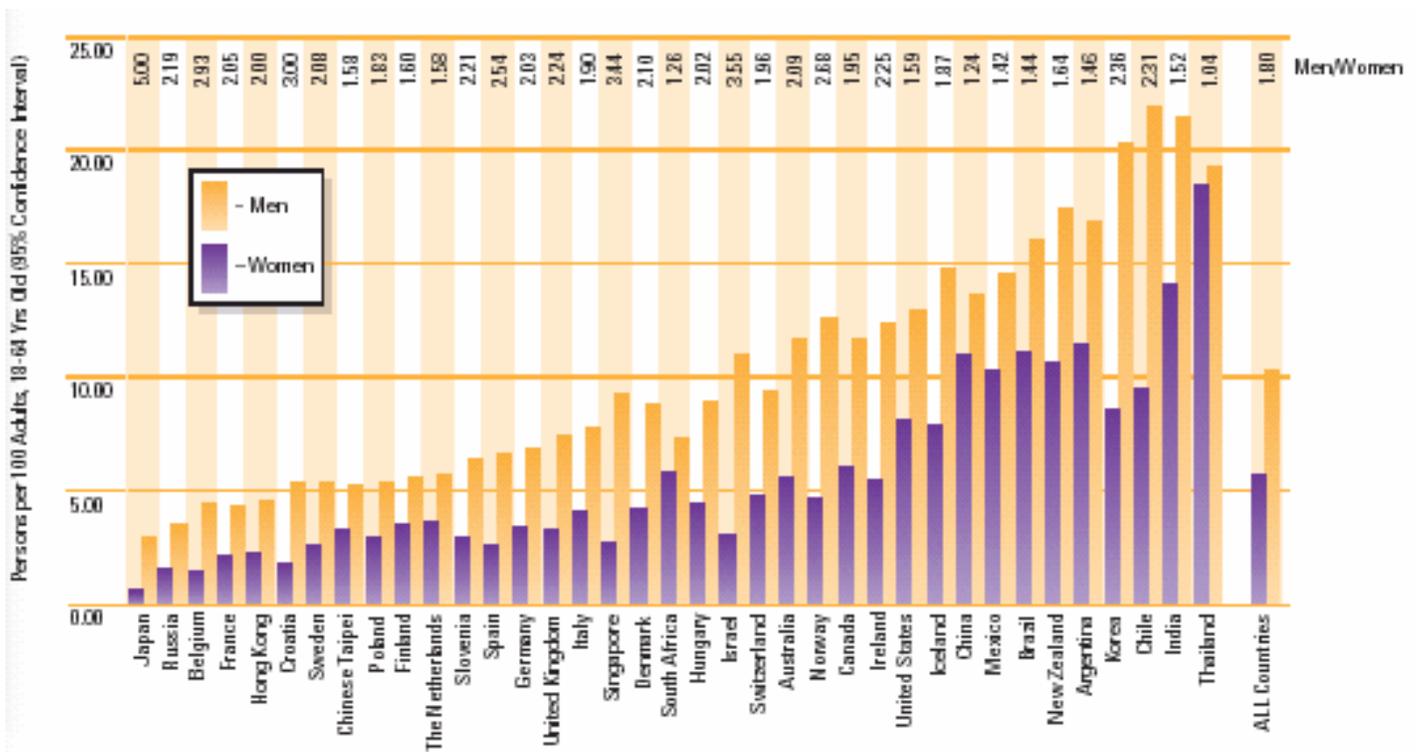
The countries with the lowest rates of female entrepreneurship are, in ascending order:

- Japan (0.6%);
- Belgium (1.5%);
- Russia (1.6%);
- Croatia (1.8%);

- France (2.1%);
- Hong Kong (2.3%);
- Spain (2.6%);
- Sweden (2.6%);
- Singapore (2.7%); and
- Slovenia (2.9%).

The level of entrepreneurial activity among women increases as levels of education rise, with a major jump in business ownership seen among those who go beyond a secondary education. This pattern is different from that of men, among whom the highest levels of business activity are seen among those with just a secondary education. The lowest levels of entrepreneurship among men are seen among those with both the most and the least amount of education.

Similar to the differences seen in rates of women's entrepreneurship, there is substantial variation between countries in the ratio of male-to-female entrepreneurship levels. The participation is almost equal in a number of developing countries (e.g., Thailand, China, South Africa and Mexico) but the ratio exceeds 3 to 1 in some European and developed Asian countries (e.g., Croatia, Singapore, Israel and Japan).



Gender-Based Differences in Entrepreneurship

Despite relatively high levels of women's entrepreneurship in a number of countries, women are still much less likely to start a business than are men. Across the 37 GEM countries studied in 2002, men are about 50% more likely than women to be involved in entrepreneurial activity. Nearly one in seven men (13.9%) is an entrepreneur, compared to one in eleven women (8.9%).

Different gender patterns arise when the type of entrepreneurship is examined. GEM researchers categorized and compared two classifications and motivations for starting a business: *opportunity entrepreneurship*, which is defined as perceiving a business opportunity (i.e., an entrepreneur elects to start a business as one of several possible career options); and *necessity entrepreneurship*, when an entrepreneur sees entrepreneurship as a last resort (i.e., they feel compelled to start their own business because all other options for work are either absent or unsatisfactory).

Overall, three in five entrepreneurs say that opportunity is their motivation and two in five say that they choose entrepreneurship out of necessity. There are differences by gender, however. Fully 69% of men cite opportunity as their motivation, with 31% citing necessity. In comparison, just 56% of women cite opportunity and 44%

cite necessity as their motivation for starting a business. Thus, nearly half of women say that they became entrepreneurs because there were no other options available.

The economic development level of a country appears to have a significant impact on the motivations for entrepreneurship among women. Within highly developed countries, opportunity entrepreneurship is more common and a higher level of participation of women in the labor force is associated with greater female entrepreneurship. In these countries, entrepreneurship is one career choice among many for women. In developing countries, however, entrepreneurship among women is more likely to be a result of necessity. In these countries, the more job opportunities that exist for women, the lower their levels of entrepreneurship, as the need for it is reduced.

Conclusions and Recommendations From GEM: 1999 - 2002

In each of the four GEM reports, conclusions and recommendations related to the role of women in entrepreneurship were discussed. Key among these are:

- “Increasing the participation of women in entrepreneurship is critical to long-term economic prosperity...if considered as a major independent

variable, the relative participation¹ of women in entrepreneurship would account for as much as two-thirds of the variation of entrepreneurial activity between countries...The relative under-representation of women constitutes a latent economic resource of real significance to most nations. Unlocking the entrepreneurial potential of the female sector could prove to be challenging in many cultures but would undoubtedly boost entrepreneurial capacity." (2000)

- "For most GEM countries the biggest and most rapid gain in firm start-ups can be achieved by increasing the participation of women in the entrepreneurial process. It is clear that a major reason for the low start-up rates among some countries is the lack of participation by women. Women participate at 58% of the rate for men in the high-participation countries but this declines to 31% in the low-participation countries. Countries that wish to increase the level of start-up efforts may make major gains by helping women to become more involved." (1999)
- "Women participate in entrepreneurship at about one-half the rate of men across all GEM 2001 countries. As such, there is perhaps no greater initiative a country can take to realize higher levels of entrepreneurial activity than to encourage more of its women to participate. However, the solutions are not that simple. Why women don't currently participate at higher levels most likely involves their career pursuits as well as cultural norms and beliefs about the appropriate role of women in society. Changing a country's core value system is not easy. Such efforts would likely need to begin during younger years when the factors that ultimately influence career choices are molded. For those women already predisposed to entrepreneurship but in sectors (e.g., education and social service) where opportunities for entrepreneurship are limited, proper training, strong incentives and celebrated role models may also be effective." (2001)
- "Role models exert a powerful influence on prospective entrepreneurs in many GEM

countries. Highlighting successful women entrepreneurs could play a significant part in encouraging other women to start their own businesses." (1999) "The perceived need for role models is greater in the least entrepreneurially active countries. Experts agree that role models become particularly important with respect to overcoming the limitations of ethnic and gender discrimination. While the more entrepreneurially active countries were looking for ways to encourage women and minorities to be more entrepreneurial, experts in the least entrepreneurially active countries were focused on efforts to get society to simply accept diversity." (2001)

- "Women make up a substantial proportion of those pursuing entrepreneurship. However, the process of involvement appears to differ significantly in comparison to the processes that affect men. Particularly in countries where there is a shortage of entrepreneurs, the overall participation of women should be especially encouraged. This research demonstrates that any national effort to be more inclusive may be greatly facilitated by a more complete understanding of the unique experience of entrepreneurial females." (2002)

Sources:

Global Entrepreneurship Monitor Reports, 1999-2002, www.gemconsortium.org
Centre for Entrepreneurship, National University of Singapore (NUS), <http://www.fba.nus.edu.sg/cet/GEMSpore02.pdf>
Maria Minniti, Ph.D. and Pia Arenius, "Women in Entrepreneurship", http://www.emkf.org/pdf/UN_womens_report.pdf

The National Women's Business Council is a bi-partisan Federal government council created to serve as an independent source of advice and policy recommendations to the President, Congress, and the U.S. Small Business Administration on economic issues of importance to women business owners. Members of the Council are prominent women business owners and leaders of women's business organizations. For more information about the Council, its mission and activities, contact: National Women's Business Council, 409 3rd Street, SW, Suite 210, Washington, DC 20024; phone: 202-205-3850; fax: 202-205-6825; e-mail: nwbc@sba.gov, web site: <http://www.nwbc.gov>.

¹ The relative level measures female entrepreneurial participation relative to their general participation in the labor force. The index is computed by dividing the female entrepreneurial prevalence rate by the female-to-male labor force participation ratio.