ECONOMIC VIEW

Why Women Don’t See Themselves as Entrepreneurs

By Claire Cain Miller

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For many Americans, starting their own business is the manifestation of the American dream: Take a risk, work hard, get rich. So why don’t more women do it?

Women, despite being about half the labor force, own 36 percent of companies in the United States. Those who do own companies are half as likely as male founders to employ anyone other than themselves, and they generally earn less in revenue, according to census data analyzed in a new report by Third Way, a think tank. In technology, fewer than 10 percent of start-ups are owned by women, according to another new paper, by researchers at Harvard.

The reason, according to the research: People with experience mentor and give money to people like themselves, while those starting out do what they see people like themselves doing. In other words, we all live in bubbles — not just in our politics or our friendships, but also in our careers — and this shapes the ideas we form. Social scientists describe the phenomenon as homophily, or love of the same.

“Women are just outside of those established networks, and if you’re outside the networks, you don’t get the knowledge, you don’t get the opportunities, you don’t get the contacts and you don’t get the funding,” said Susan Coleman, a business professor at the University of Hartford and co-author of the Third Way report. She wrote it with Alicia Robb, a research fellow at the University of Colorado, Boulder, and the founder of Next Wave Ventures, for female angel investors.

Research shows that women around the world are less likely to consider entrepreneurship as a career path, largely because they don’t see other women entrepreneurs as role models.
They’re also less likely to have the management experience that can lead to starting a company. Just 19 percent of top executives are women, according to a LeanIn.org and McKinsey report, and a main reason they don’t rise is because they are less likely to have mentors in senior leadership.

That changes when women run companies. The gender pay gap shrinks, and women are more likely to be promoted, according to research of public companies by Linda Bell, an economist and provost of Barnard College. “Whether by cause or effect, the presence of a top woman executive has a really robust impact,” she said.

Women are also left out of financing networks, which are predominantly male and often operate through referrals from friends. They are more likely to invest their own money instead of outside capital in their businesses, and when they seek investors, they ask for less.

Networks are important for another reason: emotional support. “Launching an entrepreneurial venture is a lonely and sometimes scary undertaking, and you need to have people to talk to,” Ms. Coleman said.

Incubators — physical spaces where people start businesses and meet other entrepreneurs as well as lawyers, accountants and investors — don’t help. In a study of 18,000 firms started in incubators, only 6 percent were by women.

Another factor could also be at play. Women are generally more risk-averse than men. That makes them better equity investors over the long term, studies have shown. It also discourages some from entrepreneurship, and from trying to build high-growth businesses. In some cases, that might be a wise investment decision, too, considering about half of new businesses fail within five years.
Jennifer Dionisio said she had no female role models when she started her company, Three Sisters Farm and Dairy, last year. She sells goat milk and beef, and she hopes to start a cheese shop and farm-to-table restaurant.

Living in a small town, Pueblo, Colo., made it easier, she said, because she knows the local lawyer and bankers. “I would be apprehensive if I didn’t,” she said. Even so, she says, people at the local feed store assume she can’t load bags of feed or drive tractors, and others come to the farm and ask for her boss.

She said she was trying to be a role model for her three daughters. She named the farm after them and hopes they will take over someday. “Then they can work for themselves, be independent and still make a living,” she said. “Even my 7-year-old daughter can run a Bobcat” tractor now.

Silicon Valley is even more of a bubble than the rest of small-business America. Founders of start-ups financed by venture capitalists are almost all male and white or Asian, according to a study by Paul Gompers, a professor at Harvard Business School, and Sophie Wang, a Harvard graduate student.
They wanted to find out whether the problem was not enough women with the education, training or desire to start companies, or whether it was factors like bias or closed-off networks.

They concluded there were plenty of qualified women. Women earn 40 percent to 50 percent of degrees in science and engineering, and they represent 30 percent of the software industry work force. But they are less likely to have information about how to become an entrepreneur, to see female role models and to know venture capitalists.

Female venture capitalists are more likely to invest in female entrepreneurs, Mr. Gompers has found. Yet 91 percent of venture capitalists are male. Eighty-six percent are white, and 11 percent are Asian. Most worked in investment banking, private equity or consulting, and went to Harvard, Stanford or the University of Pennsylvania.

Unsurprisingly, the backgrounds of venture-backed entrepreneurs are pretty much the same. Ninety-one percent are men, 80 percent are white and 16 percent are Asian. Most have degrees from a similar set of colleges and have worked at big tech companies like Google or Microsoft.

“The problem when you have five white men who all went to the same business school and worked in the same firms is their networks overlap, so they don’t draw from a very wide source of entrepreneurial deal flow,” Mr. Gompers said.

Sheila Lirio Marcelo, the founder of Care.com, a service for helping families find caregivers, was surprised to see that insularity after growing up in the Philippines, where both her parents started businesses. She said one of the most important things she did was seek out male role models and mentors, not just women.

“Closing the gender gap in business is often a conversation that women have with other women,” she said. “We absolutely need to provide a supportive community for each other, but if we’re truly going to level the playing field, men have to be part of the equation.”

There are other ways to close the gap. In another paper by Mr. Gompers and Ms. Wang, they found that when venture capitalists had daughters, they were less biased against women. Networking groups for women, like Astia, or women-led
investment firms, like Broadway Angels, can help. So can female entrepreneurs who speak publicly about their careers and mentor women, and would-be entrepreneurs who introduce themselves on social media or at conferences, Ms. Marcelo said.

She also advised women to develop thicker skin. “Men tend to shake off rejection more quickly than women,” she said, “but it’s absolutely true that entrepreneurs are made or broken by how they bounce back from adversity.”

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