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Factors Determining Business Growth of Women Entrepreneurship

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ABSTRACT

This paper provided a review of literature on theories and determinants of business growth of women entrepreneurship. Whereas the core objective of paper focused on entrepreneurship and theories of small business growth belong to women' owner. The discussions on the factors determining small business growth by looking at the various factors that contributes to women entrepreneurship. These factors related to individual and demographic characteristics of the business owner, business characteristics and the general business environment that include socio-cultural values and government policies and regulations.

Key Words: women entrepreneurship, business growth, factors

1. INTRODUCTION

Entrepreneurship is a multifaceted concept, and has been defined differently by different scholars and has been used differently in different contexts. Thus, currently there is no single definition of entrepreneurship accepted by all scholars and that is applicable in every economic system. As a result, its definition has largely depended on the focus of the research undertaken (Verheul, Wennekers Audretsch and Thurik, 2001:4). However, the general view is that entrepreneurship has always been associated with innovation and creation of new business ventures. For example, Aldrich and Cliff (2003:576) posit that entrepreneurship centres on emergence of an opportunity, ability to recognize the opportunity and eventual creation of new business through resource mobilization. Zahra (2005:25) looks at entrepreneurship as the process of "recognizing and exploiting entrepreneurial opportunities by reconfiguring existing and new resources in ways that create an advantage" and Steier, Chrisman, and Chua, (2004), simply consider entrepreneurship to be a process of innovation and new venture creation.

In this paper, entrepreneurship is simply viewed as a process of business ownership. On the other hand, a woman entrepreneur is referred to as a woman who enters into business ownership by lack of alternative options of earning a living, and thus forced to undertake risks associated with micro-credit to exploit opportunities that might come her way through establishing own or expanding the existing business.

2. LITERATURE REVIEW

A relatively young field of investigation entrepreneurship are set-up and female entrepreneur research. While research projects in English-speaking areas were relatively early scientifically dealing with the subject 'female entrepreneurs', in the German-speaking area, until the end of the 1980s there was hardly any expressive information and empirically secured knowledge available, about the process of business foundation and resources which can be introduced in enterprise foundations by women and how foundation resources were transformed into successful potentials (KMU Forschung Austria, 2005).

Resource-based theory

According to the resource-based theory, a firm will be able to achieve and sustain a competitive advantage in a market place depending on the advantages arising from organizational capabilities in terms of the amount and uniqueness of, and specificity of, resources that it owns (O'Regan, Ghobadian, and Gallea, 2006:30). This suggests that given that different firms own different quantities and qualities of resources, firms are more likely to perform differently in a market place. In other words, a firm can attain high performance compared with other firms in the similar market, only if the firm is exposed to opportunities that enable it to acquire and exploit unique resources at its disposal. Scholars like Brush and Chaganti (1999:235-236) posit that the resources owned by firms are the ones responsible for the differences in their performance. From the theory, it is therefore established that business growth very much depends on the resources and capabilities that owners currently possess or can acquire (Lerner and Almor, 2002:110). Among the resources that are liable to increase firms' competitive advantage, include among other, tacit knowledge, strategic management skills, availability of sufficient level of capital and employment of skilled personnel (O'Regan, Ghobadian, and Gallear, 2006:30).

Penrose theory of firm growth

According to Penroses' (1959:2) theory of firm growth, a firm can be viewed as a collection of both physical and human productive resources. Given these resources, firm growth at any given time period is determined by the capacities and experience of its managers to recognize production opportunities and their willingness to coordinate the available productive resources in order to pursue the identified production opportunities for the firm to grow (Penrose, 1959:24, Liao and Welsch, 2003:150).

Viewed from that perspective, given firms' management capacities, a firm can be allowed to expand to certain limits beyond which management of the firm becomes difficult or impossible (Robson and Bennett, 2000:195). That is to say, a firm can grow as long as firm managers are willing and capable of managing the achieved growth. Therefore, a firm that grows fast is likely to face managerial difficulties, especially in the short run if it cannot change its managerial capacity in response to the short run production requirements (Tan and Mahoney, 2005:113). If this happens, the fast-growing firm is likely to experience inefficiency if it maintains its current levels of operation. Therefore, a firm will eventually be forced to reduce its growth rate in the succeeding time period. Slowing down of firms' growth in the subsequent time period in the event that its manager's capacity to manage firm growth ceases, this phenomenon is known as the "Penrose effect (Tan and Mahoney, 2005:113). Therefore, for a firm to maintain its effective coordination of firm resources, it is imperative that the proportionate increase in firm size matches by more than a proportionate increase in utilization of its managerial resources (Kor and Mahoney, 2004:184). On the other hand, for the firm to maintain its managerial strength, it should increase the number of managers as the firm grows (Kor and Mahoney, 2004:184).

Following a critical review of the contribution of Penrose (1959) to resource based view of firm growth; Kor and Mahoney (2004:184) argue that firm growth is not only a result of amount of resources owned by the firm but also, results from effective and innovative management of resources owned. Arguably, the contribution of a given amount of resources owned by a firm to its growth will very much depend on how the resources are distinctively deployed. In this respect, given the same amount of resources, for example, two different firms may perform differently depending on how the managers of given firms effectively coordinate and deploy the available resources. In other words, as the firm grows in size, its continued success depends on the ability of its managers to respond to the changing productive opportunities facing the firm, the management practises and expertise of its managers in forming different combination of firm resources (Brush and Chaganti, 1999:236).

In this respect, Kor and Mahoney view firm managers as catalysts for firms' growth in terms of their abilities to identify, recognize and exploit entrepreneurial opportunities by way of creating new combinations of resources which eventually lead to innovation and the overall firm growth (Kor and Mahoney, 2004:184). Therefore Kor and Mahoney, conclude that firm growth and its distinctive competitive advantage at a market place is determined by the firm's current base of knowledge and experience of its managers to deploy the other resources owned by the firm. After discussing small business growth theories, the following section discusses the factors determining business performance with a focus on women micro and small business owners.

3. DISCUSSION OF THE ROLE OF WOMEN ENTREPRENEURS IN BUSINESS GROWTH

Reflecting on the importance of the business owner, Lerner and Almor (2002:113), argue that owners are the ones who identify opportunities, make all the strategic and operational decisions and implement them. In this regard, they consider business owners' skills to be the most important asset of the firm, suggesting that when the skill set is stronger, the performance of the business will be higher.

Similarly, Chandler and Hanks (1994:79) argue that an abundance of capabilities in the firm ensures survival, rapid growth and profitability. They are, however, of the view that although resources may be readily available in the milieu where the firm operates, performance of the firm will very much depend on the owner's ability to mobilize and coordinate the available resources. Hence, Chandler and Hanks conclude that firm performance is a function not only of the ease of access to resources, but also of owners' managerial distinctive competence.

Korunka, Frank, Lueger, and Mugler (2003) echo similar views in their study. In studying the factors that influence enterprise growth they found that newer research in area of entrepreneurship consists of not only refined theory development, the integration of research models, but also to some extent, a "comeback" of personality considerations and the role of the owner (Korunka, Frank, Lueger, and Mugler, 2003:24).

In studying the competitiveness of small and medium enterprises with a focus on entrepreneurial competencies, Man, Lau, and Chan (2002:130) found that the process of achieving competitiveness for SME is mainly influenced by goals and commitment of the owner. Arguably, the major determinant of business competitiveness is the owners of the business because of the decision-making powers they have by virtual of their positions. Verheul, Risseeuw, and Bartelse (2002:452) also argue that this is because in small businesses, ownership and control as well as management of the firm are usually based on the owners, and owners not only dictate the goals of the firm but influence the way the goals are pursued.

The role of the owner is especially important at early stages of the business, as all major business decisions are greatly reliant on the owner- manager (LeBrasseur et al., 2003:317). Nevertheless, LeBrasseur et al., argue that as a business grows in size, the need to balance the entrepreneurial approach to decision-making with a professional management style of leadership becomes indispensable. They also contend that for the business to be able stand competition and develop the required organizational capabilities, the skill base of the organization must extend beyond the owner-manager's stock of human capital capabilities.

In supporting the role of a business owner in firm growth, citing Sexton, Cliff

(1998) suggests that growth of a new business venture does not occur naturally, but is determined by the owner. Arguably, “those in control of the firm may initiate, foster, nurture, or prune growth in accordance with their own propensity for growth and their abilities to manage it”(Cliff, 1998:525). However, Cliff is also of the opinion that firm growth will only take place if the business owner intends to have the business grow, but also depends on the degree to which owners can obtain resources to support the intended growth.

Robson and Bennett (2000:195) also support the role of owners’ in business growth. They view business growth to be a function of business ownership, control and discretionary powers and managerial expertise of women’ owners as well as the competitive environment enjoyed by the firm.

As already noted, business performance differs depending on the gender of the owner (see for example, Carter, Williams and Reynolds, 1997; Fielden, Davidson, Dawe, and Makin, 2003). Gender plays a role in business performance particularly as it influences self-perception (Anna, Chandler, Jansen, and Mero, 1999:282), choice or type of businesses undertaken but also motivation and thus influences their business growth (Shane, Kolveried, and Westhead, 1991:443). Cooper, Gimeno-Gacson, and Woo (1994:376), view gender as a proxy for life experiences, access to networks and other resources needed for business start-up but also for business growth. Similar observations are shared by Moore and Buttner, (1997) and Verheul and Thurick, (2001).

Given that gender influences the above aspects, all of which are important in entrepreneurial development, it is apparent that male and female business owners will behave differently with respect to responses to recognition and exploitation of entrepreneurial opportunities (Carter, Williams, and Reynolds, 1997; and Fielden, Davidson, Dawe, and Makin, 2003). In the same vein, given that male and female business owners exhibit different responses, it is obvious that this tendency will affect their businesses performance in different dimensions and magnitude.

While there are different and overlapping explanations with regard to factors that bring about these gender differences in business performance, the fact is that gender in many societies determines position, access, ownership and control of economic resources as well as decision-making powers in a household and the society at large (Fischer, Rueber and Dyke, 1993:151). It is also obvious that women have fewer opportunities to develop relevant experiences, fewer networks from which to get assistance and have greater difficulty in assessing resources required for business expansion and growth (Cooper, Gimeno-Gacson, and Woo, 1994:376). As long as women have limited access to economic resources, this will adversely affect their businesses performance. In this respect, studies have consistently established that in part differences in the performance of men and women are ascribed to the women’s limited equal access to opportunities in the labour markets and to resources. It is therefore expected that when equal access to resources is realised, the observed gender differences in business performance would eventually disappear (Carter, Williams, and Reynolds, 1997:127).

Empirical evidence from the work of Fischer, Rueber and Dyke (1993:162, 163) found that males have higher levels of entrepreneurial experience including financial management and industry experiences than their females’ counterparts. The study found that comparable to men, women do not have equal access to financial and social capital. Fischer, Rueber and Dyke (1993) suggest that in view of this, women are more likely to be less productive when compared to men because they have fewer opportunities to acquire different types of capital. Cooper, Gimeno-Gacson, and Woo (1994:391) found that being female had a negative impact on the growth of small ventures but had no impact on the survival of the firm.

On the contrary, a work of Kalleberg and Leicht (1991) which studied the impact of gender on organizational performance for three industries in Indiana, after controlling for industry differences, business characteristics and owner attributes could not find any significant differences in growth of business earnings based on the owner's gender (1991:157). In addition, after controlling for the difference in levels of human, social and financial capital as well as for venture specific characteristics no gender differences with respect to productivity were observed (Kalleberg and Leicht, 1991:157). Collins -Dodd, Gordon and Smart (2004:11) also support the notion that the gendered differences in business performance are insignificant when controlled for a range of practice and personal factors. In determining whether the owner's gender is a significant variable in directly explaining the financial performance of small businesses operating in the same industry when controlling for practice and personal characteristics, gender was found to be insignificant variable in explaining financial performance, i.e. gross and net profits. A study by Du Rietz and Henrekson (2000:5, 9) also found that female-owned businesses were just as performing as their male counterparts when controlling for business sector and size. A study on small and medium firms in Australia, by Watson could not find any significant differences in performance between the male and female owned enterprises after controlling for the effect of industry sector, age of the business, and the number of days of business operation (Watson, 2002:98).

In a different study, Watson and Robinson, (2003:773) even after controlling for variables such as industry, age and size of business, women-owned enterprises in SMEs sector were persistently under-performing men owned businesses in terms of profits. However, after taking risk into in comparing the relative performances of SMEs owned by males with those owned by females and adjusting for risk, they could not find any significant difference between the performances of male and female owned SMEs (Watson and Robinson, 2003:773). This suggests that the results depend very much on the variables included in the study and the interest of the researcher.

On the other hand, differences between men and women are a making of gender socialization process (Fischer, Rueber and Dyke, 1993:154, 159), and different roles and responsibilities ascribed to different genders in a society (OECD, 2004:31, Coleman (2007:324). Because of the socialization process including history and culture, access to education, training and other experiences differs from females and males, the result of which female and male entrepreneurs differ in many characteristics, including motivations generally considered relevant to entrepreneurship (Fischer, Rueber and Dyke, 1993:154, 159). Gender socialization has also made women and men to differ in the way they interpret and place value on self employment/entrepreneurship (Carter, Williams and Reynolds, 1997:127). Moreover, because of gender socialization, women have a tendency to evaluate performance of their businesses using non-financial indicators (Robichaud and Zingler, 2007:326). Women also adopt different approaches to entrepreneurship that largely differ from those adopted by men (Robichaud and Zingler, 2007:326).

4. CONCLUSION

The paper indicated still existing problem areas - namely on the one hand from the view of the potential entrepreneurs as well as already successful female entrepreneurs - indicating suitable attempts for possibilities of improvement. This suggested that entrepreneurship is more than a mere existence of entrepreneurial individual traits, economic resources and opportunities, but also a function of different socio-economic environments. In other words, while there are certain behaviours and conditions that are important for entrepreneurial success, these differ according to socio-economic environments of the entrepreneurs. This also implies that entrepreneurs operating in the socio-economic and cultural environments that are supportive to entrepreneurial behavioural characteristics are more likely to perceive and exploit entrepreneurial opportunities available in those environments, than entrepreneurs operating in hostile environments.

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