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Dodging the glass ceiling? Networks and the new wave of women entrepreneurs

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Abstract

Openings of women-owned businesses have radically accelerated recently. This paper explores the causes and results of this phenomenon. Noting the predictive weaknesses of the canonical neoclassical perspective, an extended institutional framework incorporating the impact of male-dominated networks seems to better explain women's situations in both the traditional and entrepreneurial labor markets. Theoretical and empirical evidence points to the paradoxically obstructive role of information networks as the source of women's market difficulties. In the light of this, the paper considers possible motivations for the continued influx of women to entrepreneurship and its potential implications for women's economic status.

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Notes

1 One of the principal features of women-initiated enterprises is that they, by definition, are incorporating a self-understanding of their own productivity contributions to the firm. This perspective contrasts with the noted apparent skewed wage/productivity perspective of the current market wage. Thus, if such new enterprises were in fact a profit-maximizing reaction to continuing discrimination, one would expect that such ventures should have greater rates of success, and lower rates of failure, than comparable efforts by men. This proposition is formally modeled below, and compared with evidence regarding relative firm success rates.

2 If one believes that efficiency wages are an important factor in modern labor markets, lower wages for women would also hurt discriminator's profits through their detrimental effects on such workers' effort and motivation.

3 This April 1995 NFWBO report presented information on relative success rates of women-owned businesses, using criteria other than earnings. In particular they relied upon information compiled by Dun and Bradstreet for assessing the financial strength of women-owned businesses compared with the national average. The measures used were bill payment and a financial stress indicator to measure credit risk/risk of failure. In terms of bill payment, 92% of women-owned businesses were found to pay their bills with 30 days of the due date, compared with 93.6% of all firms. In terms of the financial stress score, 14.7% of women-owned businesses were found to have a high risk of failure, compared with 13.7% of firms.

4 The data in [Table 3](#) come from the 1987 census, and indicate that generally female and male entrepreneurs do not differ greatly. Female and nonminority male entrepreneurs are similar in their average ages. Women are more likely than men to be divorced/separated and widowed. A slightly higher percentage of women finished high school than nonminority men but otherwise there is no significant difference in educational attainment. In terms of work experience, a higher percentage of women had no prior work experience compared with men, and a higher percentage of men had more than 20 years of experience compared with women. In terms of household income, women were more heavily represented at the lower income levels and men more heavily represented at the higher income levels, but the differences were not large; there were more women for whom business income accounted for 0-24% of household income and more men for whom it accounted for 100% of household

income. Finally, there is no significant difference in the percentage of minority customers except that women were more likely to know this information than men.

5 This problem has been recognized and addressed in a new program being offered through the Small Business Administration (SBA) which aims at increasing women entrepreneurs' access to commercial loans. The program involves the SBA prequalifying women business owners for loans up to \$250,000. Qualified applicants receive a letter from the SBA that they have qualified for a government loan guarantee which they can then take to a commercial lender who is then more likely to grant them a loan ([Applegate, 1997](#)). Further evidence of this is revealed by the survey responses of 673,000 women, more than two thirds of whom said they faced gender barriers in business, particularly in working with banks ([Rios, 1997](#)).

6 A recent Wall Street Journal article provides further anecdotal evidence of the importance of nonwage benefits to women entrepreneurs. The piece profiles Kathy Dawson, who herself "[d]ropped out of corporate America and started her own business because she wanted to spend more time with her two young daughters." ([Mehta, 1996](#)). Dawson earns less from her business than she did from her corporate job and she says that she would be earning higher profits if she spent more time writing proposals and cultivating new clients. In this case, earnings may not be relevant measure of the success of women-owned businesses—Dawson considers her business a success because it allows her and her employees (27 of the 30 are women) to balance work and family.

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