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The myth of the failing female entrepreneur

Professor Susan Marlow

“Last week, the Prime Minister used a speech at a summit in Sweden to try and “accelerate” the increase in the number of women on the boards of top UK firms, and to encourage more females to become entrepreneurs and leaders in business. Whilst the desire to have more women in senior positions is admirable, the analysis that underpins these policies too often starts with the negative supposition that women are not achieving their potential in business.

The assumption is that women owned firms are under-performing compared to the firms owned by their male counterparts. In fact this supposed under-performance demonstrates the wider problems women still face in today’s labour market.

Women owned firms tend to be in crowded, low value-added segments of the service sector and consequently, exhibit limited growth in terms of employment, sales, profitability and market share. Unsurprisingly, the operating profiles of women owned firms also reflect wider working patterns amongst women, which accommodate caring responsibilities and economic activity. The reality is that around half of self-employed women work part-time and approximately a third base their businesses within the home, this naturally affects the profitability and scope.

There also needs to be a more realistic view of the small business sector in general. The reality is:

- Most small firms are positioned within the service sector, where women are somewhat over-represented in lower order services. Within such segments of the service sector, opportunities for elevating performance are limited by market constraints regardless of the ownership profile of the firm

- The majority of small firms (regardless of owner profile), through either market constraints or owner preference, remain very small and marginal

- Amongst those firms which do exhibit rapid growth, most will then experience decline and regress back to the sector norm

- The small firm sector is defined by high rates of churn and uncertainty with the context of prevailing market conditions which are of greater relevance in shaping the survival and potential performance of most small firms

So, reviewing this argument we see one ‘performance portrait’ of the average female owned firm — small, marginal, constrained, and one of the average small firm (regardless of owner characteristics) which is also small, marginal, and constrained. It is therefore puzzling that women owned firms are singled out as under-performing as, to most intents and purposes, they seem to reflect the norm.

The question that policy makers need to ask is why women are more likely to be concentrated in market sectors that stunt their opportunities to be successful entrepreneurs. The concentration of female owned businesses in the service sector reflects women’s positions within the broader labour market, where they are segregated into service work designated as being of lower status and skill and which, in turn, commands lower returns.

Accordingly, women's positioning within self employment merely reflects and reproduces embedded socio-economic norms; it is not a ‘preference’ expressed by women business owners which could simply be addressed by specific support to encourage them to enter more lucrative market sectors. Clearly there is limited scope to overcome the performance restrictions associated with these highly competitive sectors per se, and expecting women in particular to do this is both unfeasible and unreasonable.

It is ironic that the consistent message from policy makers focuses upon the need to get more women into entrepreneurship so they can ‘fulfil’ their potential and contribute to economic growth and wealth creation. From our arguments, this is a pointless and indeed, harmful policy as encouraging greater inflows under current conditions just puts more pressure on the crowded service sector; this stimulates greater churn, will result in more business failures, and reinforce the notion that women’s businesses under perform. It is a self-defeating objective.

The solutions to developing a stronger and more successful culture of female entrepreneurship are not simple but they would be helped by not starting with the idea that women are failing to achieve the entrepreneurial success of their male counterparts.

We should start from the premise that the ‘problem’ of the female entrepreneur is merely a demonstration of the wider problems women still face in today’s labour market.In launching the Centre for Women’s Enterprise and Leadership we want to move the level of debate forward and to ensure that the work of developing opportunities for women to succeed in business is done in a way that recognises the innate gender imbalances that exist in our current labour market.

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