ARE WOMEN ENTREPRENEURS MORE LIKELY TO SHARE POWER THAN MEN ENTREPRENEURS IN DECISION-MAKING?

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ABSTRACT

This study examines whether there are gender differences in personal traits and decision making patterns among India private entrepreneurs. Data from a 2007 national-wide survey of 3012 private firms in India show that there is no gender difference in education level between women entrepreneurs and their male counterparts, however, women entrepreneurs have smaller family size and work longer hours in their firms than male entrepreneurs. Consistent with what was found in the developed countries firms owned by India women entrepreneurs are significantly smaller in term of the numbers of employees, revenue and profit. Moreover, women entrepreneurs in India are more likely to make important decisions together with their major managers compared to their male counterparts.

Keywords: Women entrepreneurs, Gender, Decision making

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1. INTRODUCTION

Women entrepreneurs are becoming an important economic and social force around the world. In advanced market economies women own more than 25% of all business. In Japan, 23% private firms are owned by women. In Germany, women have established one third of the new businesses since 1990 representing one million jobs. In the United States, women owned more than 38% of all business (9.1 million firms) employing 27.5 million workers (or 1 in 5 workers) with revenues about $ 3.6 trillion (Center for Women’s Business Research, 1999). It is also said that women produced 80% of the food for Sub-Saharan Africa, 50-60% for Asia, 26% for the Caribbean,
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36% for North Africa and the Middle East, and more than 30% for Latin America (Roy, Tisdell, & Blomqvist, 1996).

Despite the tremendous growth in the number of women-owned firms and their increasing impact on in the domestic and global economy and society, not enough research has been devoted to the study of women entrepreneurs and their firms. A study that explored the extent of the coverage of women entrepreneurs found that the coverage of women business owners actually declined between 1982 and 1995 (Baker, Aldrich, & Liou, 1997). Among the limited available studies on women business owners, most of them were conducted in the developed countries, and very little is known about the role of women entrepreneurs in the developing countries.

For example, studies conducted in the developed countries found that there is little difference between men and women entrepreneurs in term of demographic characteristics; does the similar pattern appear in a developing country? Some research questions also needed to be answered in both the developed countries and developing countries. For example, little is known about the gender differences in the process of separation of ownership and control. Based on agency theory, a concentration of ownership and control is an uncontroversial optimal arrangement because it can reduce principal-agent conflict (Fama & Jensen, 1983).

Agency theory also suggests that as firms become larger, concentrated ownership and control will generally be replaced by a separation of ownership and control (Berle & Means, 1932). What is unclear is whether there is a gender difference of firm owners in this process. India’s private entrepreneurs’ firms predominately have owner-manager governance structure (Dong, 2002) which provides an interesting research perspective for scholars to study gender differences in the evolution of the separation of ownership and control.

The purpose of this study is two fold. One is to explore whether there are similar patterns of gender differences in demographic characteristics and other related firm characteristics among private entrepreneurs in India as what was found in the Western countries.

The other is to examine gender differences in the pattern of decision making in private firm.

2. LITERATURE REVIEW

2.1 Historical Background of Private Entrepreneurs in India

Private business is a new competitive field of opportunities for both women and men in India. After India was established in 1950 as a republic country, private firms and business were almost completely forbidden. It did not regain its legitimacy until the end of 1980s. In 1988, an amendment of the India Constitution legalized private firms and business activities. Since then, private business has grown rapidly. In 1989 there were only about 91,000 private firms, employing 1.42 million; however, by the end of 2007, the total number of private firms had reached 34.4 million, employing more than 47.14 million people and accounting for one third of GDP Much research has been given to private entrepreneurs’ economic contributions and the reasons behind their success. Gender issues related to private entrepreneurs have been neglected.

2.2 The Status of India women and women entrepreneurs

By law, India women have equal rights and status with men. The India Constitution states clearly that India women have equal rights with men in political, economic,
cultural, educational and social life. Women reached 44% of the total labor work force, which was above the international average of 34% in 1995. India has one of the lowest women-men wage gaps in the world. Urban women earning ratio is about 80-89 percent in the state sector (Hall, 1997). However, gender inequality still exists and is pervasive. India women are underrepresented politically; they are also underrepresented in higher managerial positions, and dominate jobs for women require heavy labor and few skills such as farming. (Hall, 1997). The pattern is the higher status and power, there are fewer women.

Survey data continues to show that private entrepreneurship is dominated by men. Women only constitute around 11-14 % of private entrepreneurs and this number has been stable since 1991. Entrepreneurs in transition economies are regarded as reformers (McMillan & Woodruff, 2002). Private entrepreneurs not only create jobs, supply consumer goods, but also build reform momentum, however, women entrepreneurs’ role has been overlooked in this process (Goodman, 2004).

2.3 Studies on women entrepreneurs in the Western Countries
A central focus of the research on women entrepreneurs in the western countries is on the similarities and differences between female and male entrepreneurs in personal attributes. Gender differences in demographic characteristics have been explored extensively in the entrepreneurship literature in western countries. Studies conducted in the United States found that women entrepreneurs are more similar to than different from male entrepreneurs in term of demographic characteristics and psychological traits (Hisrich, 1989).

For example, age, marital status, education level are not significantly different between women and men entrepreneurs in US. In some other developed countries, studies found some slightly different results. For example, a study on personal characteristics of women entrepreneurs in Sweden found that women entrepreneurs were more highly educated than the male entrepreneurs (Holmquist & Sundin, 1988).

In Britain, a household panel survey was employed to study the difference in the personal and demographic characteristics of man and women entrepreneurs and researchers found that women entrepreneurs are better educated than male entrepreneurs (Cowling & Taylor, 2001).

3. BACKGROUND AND HYPOTHESES
3.1 Gender differences in entrepreneurs’ personal attributes in India
Little research has been done on gender difference in entrepreneurship in India. Therefore, it is unknown which pattern of gender difference in personal traits which has happened in other developed countries would occur, but there are two most likely possibilities. Here if we assume that findings on gender similarities in personal traits in the Western literature are universal and can also be applied in a transitional economic like India it would be reasonable to hypothesize that there are no gender differences in personal traits among India private entrepreneurs as the past research has repeatedly found. Hence, I hypothesized the following:

Hypothesis 1a There are no gender differences in education and age among India private entrepreneurs. Becoming an entrepreneur is highly desirable in India since late 1990s and it is generally agreed on that there are a great amount of institutional barriers to enter this institutional field (V.K. Singh, 1996). For women entrepreneurs, they face challenges not only from work but also family obligations. It is reasonable
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to hypothesize those women entrepreneurs may have to choose to have smaller family size and work longer hours to overcome institutional barriers to start and run business.

Hypothesis 1b Women entrepreneurs work longer hours and have smaller family size compared their male counterparts.

3.2 Organizational characteristics of private firms owned by Women

Studies on the characteristics of women-owned business in Western countries have shown that women-owned firms are mostly service-oriented, small in term of revenues and employees (Hisrich & Brush, 1984). Firms owned by women entrepreneurs are also typically young. Research also found that compared to male-owned firms, women most often choose sole proprietorships as the preferred forms of business structure (Brush, 1992).

Barriers encountered have been found similar around the world. The reported barriers included lack of business management skills and experience, access to bank loans and social network, hostile environment and negative self-perceptions (Shragge, Yacuk, & Glass, 1992). Since gender inequality is an international phenomenon I postulate that the characteristics of private firms in India may also follow the model in the western countries.

Therefore: Hypothesis 2 Firms owned by women entrepreneurs in India are significantly smaller in term of the number of employees, revenue, and profit than firms owned by men entrepreneurs.

3.3 Gender differences in the patterns of decision making of private firms in India

Patterns of decision making in this study refers to which party in the private firm make important decisions. The important decision could be made by private entrepreneurs, share holder meetings, management and other institutions such as party committee and labor unions. Research supports the notion that men and women may embrace different leadership and management patterns. Studies found that women entrepreneurs are more open to communication and participative decision making. Fox and Dhawan (2006), employing a national sample of 875 city managers in the Indian States found that female leaders were more likely than male leaders to rely on communication and participative leadership.

According to relational theories, women may have greater needs for interpersonal connectedness than do men. This need for connectedness may make them more concerned about others (Felsman & Blustein, 1999) and more likely to prefer relationship-based managerial practices (Boatwright & Forrest, 2000).

Possibly, this is one of the reasons that why women often prefer people-centered team management (Rigg & Sparrow, 1994) and champion democratic leadership philosophies (Eagly and Johnson, 1990). King and Hinson (1994) indeed concluded that females are more concerned about relationships when negotiating than are men. Women are also found to value employee collaboration, build consensus, and actively accept participation at work (Clark, Carafella, & Ingram, 1998). This could be an international phenomenon, for example, Gibson (1995) found that male and female leaders from four countries emphasized divergent leadership behaviors regardless of their country of origin.

Women’s managerial preferences may cause them to behave differently from men in decision making process. Because women are highly interactive and involved as
leaders, they may be more likely than men to share power in decision making. Hence, I hypothesized the following:

Hypothesis 3a Women entrepreneurs are more likely to share power in decision making than male entrepreneurs. While the literature cited substantively supports these hypotheses, there is ample research that suggests a different reality. Both constrains of organizational structure and changes in women’s management preferences may, in fact, diminish or even eliminate any leadership differences. In a replication of a 1970s study, researchers found that male middle managers believed successful managers possessed some characteristics, attitude and temperaments that are unique to men (Brenner, Tomkiewicz, & Schein, 1989).

Organizational definitions of competence and leadership are still predicated on traits stereotypically associated with men: tough, aggressive, decisive and task-oriented. These preferences may lead women to adopt masculine leadership style in order to better fit into male-dominated organizations (Desjardins, 1989). Eagly and Johnson (1990) indeed found the significant effects of context on leadership style for both men and women.

Women in jobs dominated by men were less likely to be interpersonally oriented. Furthermore, Carless (1998) concluded that men and women managers performing the same duties in similar positions did not differ in leadership style and concluded that organizational structure was fundamental to the adoption of leadership practices. The organizational structure and task structure appear to eliminate gender differences in the leadership style and the similarities in organizational structure and task structure may lead to no difference in the styles of decision making. Whether the effect derives from women imitating the leadership style and decision making style from men in order to be accepted in positions of authority, or from the structure of organizations producing similar responses from both gender, these considerations produce an alternate hypothesis.

Hypothesis 3b There is no difference between women entrepreneurs and male entrepreneurs in their firms’ decision making patterns.

4. METHODS

4.1 Data

The data that were used in this study come from the 2004 nationwide survey of India private firms. The survey has been conducted every two years since 1991, jointly by the United Front Work Department of the Central Committee of the Communist Party of India, the all India Industry and Commerce Federation, the National Bureau of Industry and Business Administration, and the India Society of Private Economy (Dai, 2004). 2004 was the first time that the National Bureau of Industry and Business Administration (NBIBA) participated in this survey, which made the data more reliable given the NBIBA monitors the taxes paid by firms and other related business administration issues.

The sampling method for the survey was a multi-stage stratified random sampling, with the aim of representing private firms nationally. The survey was designed to be representative of the entire nation, with proportional representation from each province, as well as from large and small cities, urban and rural areas, and from industry categories (C.B.Naik, 2003). The survey conducted in 2004 covered 3012 private firms, and the response rate was 82%. The total number of surveyed firms comprised about 0.10 percent of the total number of private firms in India at the end
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of 2003- with representation in all 31 provinces of mainland India, and covering 14 main economic industries ranging from farming, estate to technical service.

Consistent with samples of this survey in the previous years the sampled firms in the 2004 survey are larger in size than the general population of private firms. Based on 2004 India Statistic Year Book, all registered private firms averaged only 14.3 employees in 2003, while firms sampled for this survey had an average of 169 employees including temporary workers(Note 1) The median number of employee in the 2004 sample was 42, indicating that a few big firms pulled up the average for all sampled firms. The largest firm in the sample had 18,000 employees. Although the sample may over-represent the large firms, a 25 percent of the sampled firms have 15 or fewer employees.

The survey questions covered many aspects of the firm and its owner, including demographics of the owner (e.g., age, sex, educational level), as well as attributes of the private organization (e.g., firm size, age, and basic financial information). Among the private firm owners, about 13.9% were women, the average age was 43 years old, the average educational level was 12 years. Seventy one percent of private entrepreneurs in this survey were married and the average family size was 3.40. Ninety two percent of private entrepreneurs were also the CEO or the general manager of the firm.

4.2 Variables and Measures
The dependent variable, the patterns of decision making in private firm, is measured by the answer to the question “who made the important decisions in your firm?” Only one question was allowed to answer this question. Originally, there were six choices: (1) entrepreneur himself/herself; (2) shareholders meeting (3) board of directors; (4) entrepreneurs and managers; (5) other institutions (such as India communist party committee). (6) Others.

In this study, the six categories were transformed into four categories. (1) The entrepreneur himself/herself; (2) shareholders meeting (3) board of directors; (4) entrepreneurs and managers. The fifth and sixth categories were treated as missing values. They constituted a very small percentage (about 0.6%) of the total sample; therefore, it should not impact the results.

Sex is the independent variable. It is a dummy variable, 1 for females and 0 for males. Other variables are all treated as control variables. Age is measured by the reported age at the time of the survey. Education is the reported education level and is transformed in years. Firm age was measured by how many years the firm had been in operation. Firm size was measured by the log value of the total employees the private firms employed at the end of 2003. Region of operation of the firm is represented by a dummy variable--- 1 for coastal area and 0 for inner land.

Industry sectors are represented by dummy variables for each of four industry classifications: primary industry, second industry such as manufacturing, service industry, and others. The primary industry was used as the comparison group for analysis.

To test hypothesis H1 and Hypothesis 2 I also included work hours, family size, firm revenue and profits in the analysis. Work hours were measured by how many hours an entrepreneurs worked every day at average for the past week. Family size was measured by how many family members who live together with the survey respondents. Firm revenue and profit were measured by the log values of the revenue and profit at the end of 2003.
4.3 Analysis
For hypothesis 1a, hypothesis 1b and hypothesis 2, t-test/ANOVA was used to examine whether there is gender difference in term of education level, firm size and revenue. For hypothesis 3, since the dependent variable in this study is a categorical variable, the multinomial logistic model is applied. The multinomial logistic model is appropriate and very useful when the dependent variable is a categorical variable. Certain types of categorical variables are viewed as containing more interesting information than continuous variables, especially when there is no natural continuity in their underlying concepts and this can be suitably applied to the patterns of decision making in private firms.

The multinomial logistic model allows explicit comparisons among discrete variables even when there are many categories. In the survey, the respondents were asked to choose only one category among six categories and the six categories were transformed into 4 categories in this study. Since respondents on the survey were allowed to choose only one category this makes the use of multinomial logistic regression appropriate. Also, among the original six categories and the transformed four categories, there are no sequences involved. A sequence is similar to a decision tree. For instance, suppose the analyst wishes to analyze decision of drug use among teenagers. Many studies indicate that drug use follows a sequential pattern, with alcohol use as initial stage followed by a group of people who go on to use drugs. In these situations a sequential or nested logistic regression model should be applied. In this study, however, as we describe above, a standard multinomial logistic regression model is appropriate.

4.4 Results
Table 1 shows the descriptive statistics and correlation matrix among variables. T-test in Table 2 shows that women entrepreneurs had no significant higher education level than male entrepreneurs. Male entrepreneurs were slightly older than female entrepreneurs. Hypothesis 1b states that women entrepreneurs work longer hours and have smaller family size. Results from Table 2 shows that women entrepreneurs worked significantly longer hours than men entrepreneurs. Women entrepreneurs at average worked 7.05 hours in the firm while their male counterparts worked 6.64 hours. I also found that firms-owned by India women entrepreneurs were significantly smaller than firms owned by male entrepreneurs in term of the number of employees employed, firm revenue and profit. On average, firms-owned by women had 26 employees and had yearly revenue around $1.2 million. Firms-owned by male entrepreneurs, on average, employed 46 people and had yearly revenue around $4.7 million. Firms owned by women at average had $ 56,250 profit while firms owned by men at average had $ 245,000. Further ANOVA analysis produced similar results when controlling industry and location of the firms. (Note 2)

The results of the multinomial logistic model are shown in Table 3. Based on the multinomial logistic model, we may conclude that we have mixed results about the gender differences in the decision making patterns of private firms. Gender does not significantly predict the decision making pattern that firms’ important decisions were made by shareholders meeting; gender also does not significantly predict the pattern that firms’ important decisions were made by boards of directors. However, I found that gender significantly predict the pattern that firms’ important decisions were made together by entrepreneurs and managers together. The odds of women entrepreneurs
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reporting that their firms’ important decisions made by themselves and managers are 1.53 times higher than (or 53% percent higher than) the odds of males reporting that their firms’ important decision made by themselves and managers relative to made totally by entrepreneurs themselves.

Although they are not my central theoretical focus, the significant effects of a few control variables in the study are worth mentioning. First, each one unit increase in education is associated with about 1.16 times increase in the odds of reporting important decisions of a private firm made by boards of directors relative to the odds of reporting the decision made totally by entrepreneur himself/herself controlling for the effects of other variables.

Each one unit increase in firm size is associated with an increase of 1.59 times in the odds of reporting important decisions of a private firm made by boards of directors relative to the odds of reporting the decision made totally by entrepreneur himself/herself.

Second, each one unit increase in education is associated with an increase of 1.08 times in the odds of reporting important decisions of a private firm made together by entrepreneurs and main managers relative to the odds of reporting the decision made by totally by entrepreneur himself/herself. Each one unit increase in firm size is associated with an increase of 1.20 times in the odds of reporting important decisions of a private firm made by entrepreneurs and main managers relative to the odds of reporting the decision made by totally by entrepreneur himself/herself.

5. CONCLUSION

One aim of this study is to empirically examine whether there are any gender differences in terms of demographic characteristics and firms characteristics among private entrepreneurs in India. The results show that there are no gender differences among India entrepreneurs in terms of education level. However, firms owned by women entrepreneurs in India are significantly smaller, making less revenue and profit compared to the male entrepreneurs indicating they have less economic capital than male entrepreneurs.

The other aim of this study is to empirically test the relationship between gender and the patterns of decision making in private firms. The results of the analysis indicate that the odds of female entrepreneurs reporting the important decisions made together by entrepreneurs and managers are higher than the odds of male entrepreneurs reporting the important decision made together by entrepreneurs and manager relative to decisions made totally by entrepreneurs themselves. However, gender does not make a significant difference in reporting the odds of decision made by shareholders meeting and board directors.

Although the results indicate that there are no gender differences in education among India entrepreneurs. Firms owned by Women private entrepreneurs are significantly smaller compared to firms-owned by male entrepreneurs in India. This suggests that some other factors, or a combination of these factors may inhibit women entrepreneurs and the growth of their firms. Research in western countries suggests that these barriers may come from several sources such as women entrepreneurs’ negative self-perception, lack of access to financial support and hostile environment. Sex discrimination against women is a common problem around the world. Some of discrimination is visible and some of discrimination is invisible.

The results of different and similar pattern of decision making between women and men entrepreneurs may have been prompted by both firm structure and different
leadership style. Research suggests that women and men managers can use both the task-oriented leadership style and people-oriented leadership style. However, women tend to prefer to have a participation leadership and value interconnectedness and relationship building. It is unclear whether the participation leadership can bring advantages or disadvantages to women managers and entrepreneurs. It is possible that the “close tie” tendency may keep women managers and entrepreneurs from building useful “weak ties”.

The lack of heterogeneity of women entrepreneurs’ social network may impair their ability to have access to scarce resources such as financing, expert advice, thus decrease the chance of success and survival.

6. LIMITATIONS AND SUGGESTIONS FOR FUTURE RESEARCH
The limitation of this research is that the data that were collected are not longitudinal, so the effects of gender on the patterns of decision making in the private firms in India warrant further study. Although the effect of firm size and the number of investors were controlled, I did not put the firm governance structure as a control variable.

Therefore, it is possible that the gender effects on the pattern of decision making may actually come from the fact that the lack of presence of board of directors and share holders meeting in the firms-owned by women entrepreneurs. Further research needs to consider the possible impact of different firm governance structures on the patterns of decision making.

Overall, the results of this study raise several important questions and considerations. Does participation leadership style that woman entrepreneurs prefer to have any advantages to them? As male entrepreneurs continue to be a dominant force in the business world, this question has great significance to both the research into gender-based entrepreneurship and to the realities facing women entrepreneurs. The results of this research also indicate that public policy focusing on enhancing women entrepreneurship should consider the effects of decision making patterns and on the performance of firms-owned by women entrepreneurs. Future research should also explore how public policies can help enhance women entrepreneurship effectively.

REFERENCES