

Gender Specifics in Entrepreneurs' Human and Social Capital

Karin ŠIREC¹
Dijana MOČNIK

Abstract

Female entrepreneurs should not be treated as a monolithic category; rather, they are a diverse and complex group, with varied backgrounds, circumstances, and worldviews. Previous research has shown that entrepreneurial potential in Slovenia is not fully utilized (Rebernik et al., 2009). Thus, this paper investigates differences in human and social capital between male and female entrepreneurs. The concept of entrepreneurial individuals with distinguishing characteristics is central to entrepreneurial theory. For each category of investigated human and social capital, this paper describes existing gender differences and exposes those, that are statistically significant. Since women remain an unexploited source of entrepreneurship, establishing effective mechanisms for the promotion of female entrepreneurship should become an important issue in Slovenian society. The paper concludes with policy and program suggestions for the support of female entrepreneurship.

Keywords: *gender perspective, human capital, social capital, entrepreneurship, SME.*

JEL classification: L26, J16

Introduction

Many scholars ask—either implicitly or explicitly—why anyone should study entrepreneurship. Data are difficult to obtain, theory is underdeveloped, and many findings to date are the same as those obtained in other areas of business, although differences in legitimacy and value as well as in the practical and theoretical importance of studying entrepreneurship exist. However, since the publication of the Bolton Report in 1971, the contribution of small and medium-sized enterprises (SMEs) to economic growth, job creation, innovation, and promotion of enterprises has been widely recognized (Jones & Tilley, 2003, p. 1).

Perhaps the largest obstacle to creating a conceptual framework for entrepreneurship as a discipline has been its definition. To date, most researchers

¹ **Karin ŠIREC**, University of Maribor, Faculty of Economics and Business, Institute for Entrepreneurship and Small Business Management, Razlagova 14, 2000 Maribor, SI-Slovenia
e-mail: karin.sirec@uni-mb.si

Dijana MOČNIK, University of Maribor, Faculty of Electrical Engineering and Computer Science, Institute for Entrepreneurship and Small Business Management, Smetanova ulica 17, 2000 Maribor, Slovenia, e-mail: dijana.mocnik@uni-mb.si

have defined the field solely in terms of who the entrepreneur is and what he or she does (Venkataraman, 1997). The problem with this approach is that entrepreneurship involves the nexus of two phenomena: the presence of lucrative opportunities and the presence of enterprising individuals (Venkataraman, 1997). For the purposes of this research, the discussion follows the definition of entrepreneurship by Shane and Venkataraman (2000), which states that “*entrepreneurship is an activity that involves discovery, evaluation, and exploitation of opportunities to introduce new goods and services, ways of organizing, markets, processes, and raw materials through organizing efforts that previously have not existed*”.

Although this is a useful conceptual definition of entrepreneurship, it is also very difficult to operationalize in empirical research. The current research concentrates on the personal characteristics of Slovenian entrepreneurs—an area that requires an interdisciplinary approach. The domains of psychology, sociology, and economics all seem to provide insight into a piece of the puzzle, but none seems to explain the phenomenon completely.

Many decisions in small firms depend on so-called human factors—namely, the personal characteristics of the owner-entrepreneur. He behaves as a real leader that drives the company to success based on a clear vision (Năstase, 2010). The recognition and exploitation of opportunities are neither self-evident phenomena nor matters of chance, but are a result of clear, positively motivated business intentions and actions on the part of the owner-entrepreneur, driven by the belief that he or she can produce the desired outcomes (Gray, 2000; Maki & Pukkinen, 2000). A key distinguishing feature of a successful SME is a balanced alignment of the owner-entrepreneur’s intention, her business abilities, and environmental opportunities. Crucially, each of the variable sets of intention, ability, and opportunity are linked intrinsically, and business success is unlikely to be achieved should one be missing or unduly weak.

While investigating the differences in personal characteristics between male and female entrepreneurs, this research followed the previously discussed principles of entrepreneurship theory (based on Shane & Venkataraman, 2000). The literature on entrepreneurship has uncovered differences in the rate of entrepreneurship between men and women, with women generally displaying lower entrepreneurial activity than men. Prior research into personality variables included areas such as entrepreneurial career intentions (e.g., Zhao et al., 2005), entrepreneurial cognition and opportunity recognition (e.g., Ardichvili et al., 2003, Scarlat et al., 2011), entrepreneurial role motivation (e.g., Miner, 1993), and new venture survival (e.g., Ciavarella et al., 2004). Yet many of these previous studies involved a confusing variety of personality variables, which is one of the main purposes for the current research—namely, developing a framework for a conceptualization of the discussed entrepreneurship phenomena that incorporate measures for the operationalization of entrepreneurs’ personal characteristics.

Firms’ success is a key to economic development and the creation of wealth and employment. Recent research in entrepreneurship (Slovenian

Entrepreneurship Observatory and Global Entrepreneurship Monitor) has stated that entrepreneurial potential is not fully utilized. Therefore, an increased understanding of this phenomenon is vital for at least three target groups. From a societal perspective, there is good reason to seek more knowledge about the factors that promote and deter entrepreneurship in small firms. From a theoretical perspective, such knowledge is needed to strengthen the empirical micro-level basis of theories of entrepreneurship and theories of the firm. Finally, from a policy-making point of view, it is helpful for making choices between supporting large versus small firms, active versus passive support, and general versus selective support as well as to what extent new venture creation versus development of existing firms should be promoted and how such support should be tailored to yield a maximum return to society.

1. Hypotheses tested

Entrepreneurship is a complex phenomenon involving the individual, the firm, and the environment within which it occurs (Begley 1995 in Solymossy, 1998, p. 5). Although this is recognized, the nature of the relationship between these three elements is not understood (Solymossy, 1998, p. 5). The current paper investigates the difference between entrepreneurs' human and social capital. We have tested the following two hypotheses.

Hypothesis 1: Human capital, represented by tacit and explicit knowledge and skills, differs between Slovenian male and female entrepreneurs.

Hypothesis 2: Social capital differs between Slovenian male and female entrepreneurs.

First, a framework for a conceptualization of entrepreneurship incorporating measures relating entrepreneurs' human and social capital was developed by refining previously proposed, but inadequately tested, theoretical constructs in an empirically testable framework. The second, and closely related, objective of this research is to develop and test a valid and reliable survey instrument that lends itself to establishing this framework for future research, enabling the international comparison of a multi-dimensional conceptualization of entrepreneurship phenomena.

Furthermore, the paper will separately test human and social capital components for male and female entrepreneurs, thereby presenting a unique contribution to female entrepreneurship investigations. Previous research (Rebernik et al., 2004) demonstrated the difference in perceived public support for male and female entrepreneurs as well as differences according to national experts' points of view.

2. Data, variables and methodology

2.1 Data

The statistical population of the current research is Slovenian small and medium-sized companies (joint-stock companies, limited liability companies, non-limited liability companies) in all Standard Industry Classification (SIC) categories. The research used quota sampling, as one aspect of non-probability sampling. Obvious advantages of quota sampling are the speed with which information can be collected, the lower cost of doing so, and its convenience. In quota sampling, the population is first segmented into mutually exclusive sub-groups, just as in stratified sampling. Judgment is subsequently used to select the subjects or units from each segment, based on a specified proportion (in the current case, company size, regional representation, SIC representation, and appropriate share of males and females in the sample—namely, 70:30). Yet these samples may be biased because not everyone gets a chance for selection. This random element underscores the greatest weakness of this approach. Indeed, quota versus probability has been a matter of controversy for many years (Širec & Crnogaj, 2009).

Questionnaires were used to gather data concerning company owners. A central difficulty with research trying to accumulate primary data about companies' activities—particularly in the current case—is the specialty of the information desired, which interferes with the very personal domain of psychological motivation factors, as well as how to ensure a satisfactory response rate. The preparation and realization of research have been subordinated to the need to ensure the highest possible response rate. In the current study, interviews were conducted using the Computer Assisted Telephone Interviewing (CATI) method, resulting in a response rate of 11,4%. Questions were prepared according to the interviewing method and the desired response rate. No open-ended questions were used to help ensure simplicity for those completing the questionnaire. The sample (N = 201) included 32,3% female and 67,7% male respondents (Širec & Crnogaj, 2009).

2.2 Variables

This section describes the measurements for all investigated categories, as drawn from existing research literature. The discussion will further review the testing, which culminated in the selection of measures for examining the elements of individual human and social capital.

Human capital

Measures for human capital are presented in four categories: explicit knowledge, tacit knowledge and experience, age, and marital status. The most common measure for general assessment of human capital is formal education completed (Becker, 1993). Previous researchers (e.g., Honig, 1998; Manolova et

al., 2002) have measured this assessment in five categories. The current research added a sixth category: primary school. Thus, human capital was measured using the following categories: primary school; vocational and secondary school; high school; university degree; specialization, MBA, and master's degree; and doctor's degree. In addition, a question was included regarding whether or not the respondent is still in the process of acquiring formal education and whether or not he or she is accumulating expert knowledge through other means, such as conferences, workshops and seminars, and foreign language courses.

The current study measured tacit knowledge through years of work experience, possible previous managerial experience, and previous company ownership. Based on Ruzzier's (2004) research, the current study also included in the tacit knowledge investigation questions in which respondents evaluated their specific skills according to a 5-point scale. The study further incorporated a question about how a respondent estimates his or her own knowledge, skills, and abilities in the company's start-up phase from the GEM expert questionnaire.

In light of research by Reynolds and White (1997), which demonstrated the U shape of the relationship between an entrepreneur's age and a company's growth, this study included a question about the respondent's age. The question was supplemented with a question about marital status, following the example of Davidsson and Honig (2003).

Social capital

To measure components of social capital, the current study relied on the examples of Liao and Welsch (2003), who measured these components using dimensions defined by Nahapiet and Ghoshal (1998), in which social capital was divided into three groups: structural, cognitive, and relational social capital. Structural social capital has been investigated through the entrepreneur's personal network (network of relatives, friends, mentors, etc.). To measure cognitive social capital, the current study combined expert questions from GEM research with research by Liao and Welsch (2003) into four statements:

- In Slovenia, most people consider becoming an entrepreneur as a desirable career choice.
- In Slovenia, successful entrepreneurs have a high level of status and respect.
- In Slovenia, stories in the public media about successful entrepreneurs are common.
- Slovenian entrepreneurs are competent and resourceful individuals.

Similarly, the research defined four statements for measuring relational social capital:

- In Slovenia, we encourage young people to be independent and create new companies.
- In Slovenia, the state and local governments ensure good support for those who create new companies.

- In Slovenia, banks and other investors are benevolent to individuals who create new companies.

- In Slovenia, individual social groups (e.g. family, neighbourhood, religious communities) support individuals who create new companies.

For the purpose of this research, a 5-point scale was used, where 1 signifies that the respondent completely disagrees with the statement; 2 signifies the respondent partially disagrees with the statement; 3 signifies the respondent neither agrees nor disagrees with the statement; 4 signifies the respondent pretty much agrees with the statement; and, finally, 5 signifies the respondent completely agrees with the statement.

2.3 Methodology

The methodology for the current study relied on quantitative business research methods. After conducting an extensive literature and empirical research review to depict the current stage of knowledge regarding the determinants of entrepreneurs' personal characteristics, the Pearson correlation for data was used to measure the associations or correlation among variables. The Pearson correlation was used in the form of measurements of quantitative variables and the chi-square statistic χ^2 for nominal data, together with phi coefficient Φ and Cramer's V. An independent sample t-test was used for quantitative variables to compare averages among various groups. The general criterion for accepting a hypothesis was that the difference was statistically significant at the 5 percent level (two-tailed test). The results (confirmation or rejection of the hypotheses) and comments—as well as suggestions for further research—will be discussed in the following section.

3 Findings

A condensed overview of the most important empirical research findings are discussed herein. The analysis closely examined these characteristics of human and social capital and focused on gender peculiarities that showed statistically significant differences.

Human capital

Within human capital research, this study analyzed respondents' explicit knowledge, tacit knowledge, previous experience, age, and marital status.

- **Explicit knowledge**

A high proportion of Slovenian entrepreneurs in our sample (40,8%) have completed vocational and secondary education, while 37,8% have completed higher education. Only 18,9% have university degrees, while 2,5% have an area of specialization, an MBA, or a doctor's degree. Gender comparison shows a very similar relation. Among the respondents, no females had the highest degree of education (specialization, MBA, or a doctor's degree). However, it should be

emphasized that a substantially higher rate of female respondents have a university degree—24,6%, compared to only 16,2% for men. Among vocational, secondary, and higher education, no statistically significant gender differences exist. The χ^2 test did not confirm a statistically significant connection between gender and education level achieved: $\chi^2(2) = 0,631$, $p > 0,05$. Education is clearly a life-learning process that also occurs at a non-formal level in the workplace or elsewhere. Slovenian entrepreneurs are quite active in it; 14,4% of respondents are still in the process of acquiring a formal education, indicating a similar proportion of male and female respondents.

- Tacit knowledge

Regarding years of work experience, no statistically significant differences exist between male and female respondents ($\chi^2(5) = 6,783$, $p > 0,05$). In fact, 42,3% of respondents had no previous managerial experience (47,1% male and 32,3% female) while 23,4% had been previous owners. More males (25%) were in this category than females (20%). respondents indicated that Slovenian entrepreneurs do have a good opinion about their abilities and that they have confidence in their own knowledge. Female respondents, on average, graded lower than men in the domain of analyzing and problem solving as well as in calculating skills. Interestingly, the domain of negotiation scored almost the same result for both genders.

- Age

The sample (N = 201) included 32,3% female and 67,7% male respondents. Figure 1 presents the respondents' age structure according to gender.

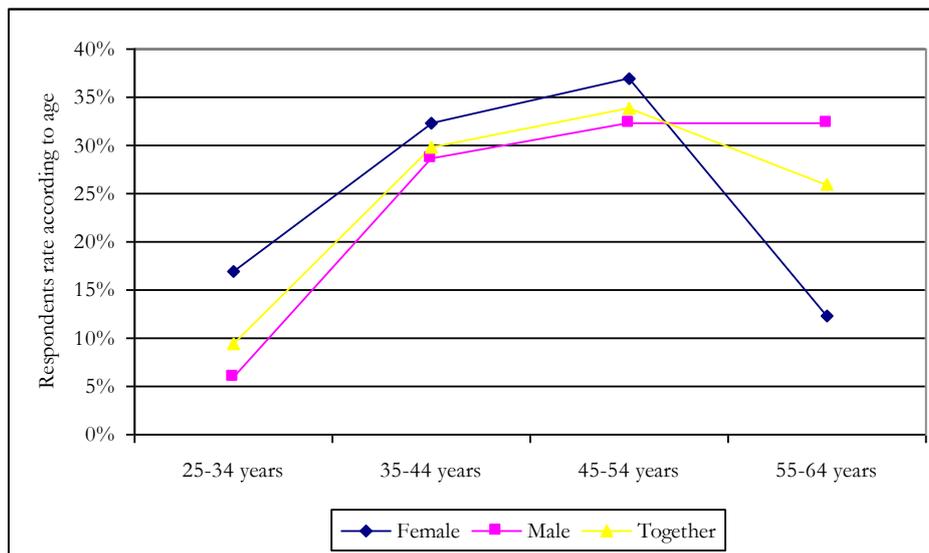


Figure 1 Respondents rates according to age groups and gender

- Marital status

Noticeable differences occurred between genders in regard to the share of married and single respondents. Only 63,1% of women were married, compared to 80,8% of men. On the other hand, 17% of the women in the sample were single, while only 9,6% of the men in the sample were. A statistically significant correlation between marital status and gender was confirmed ($\chi^2(3) = 11,521$, $p = 0,009$, $\Phi = \text{Cramer's } V = 0,239$). This evidence supports the often-cited statement that successful business women heavily integrate their personal and business lives because of the additional burden that a family brings.

The results of the human capital categories investigated do not support the first hypothesis. Without regard to gender, the human capital categories studied show comparative accord among themselves.

Social capital

Finally, structural, cognitive, and relational social capital analyses provided additional support. Structural social capital was measured using an assessment of respondents' personal networks. Individuals whose marital partners ($\chi^2(1) = 7,059$, $p = 0,008$, $\Phi = \text{Cramer's } V = 0,187$) or parents ($\chi^2(1) = 7,480$, $p = 0,006$, $\Phi = \text{Cramer's } V = 0,193$) are entrepreneurs more often choose an entrepreneurial career. Female entrepreneurs estimated cognitive social capital in the sense of a positive relationship against entrepreneurship better than their male counterparts ($t_{(170)} = -2,525$, $p = 0,012$). It must be emphasized that Slovenian entrepreneurs assess relational social capital substantially lower than cognitive social capital—especially among women ($t_{(170)} = 3,315$, $p = 0,001$). Women miss out on state and local government support more often than men do.

A comparison to the findings of Liao and Welsch (2003) indicated that, in Slovenia, the average grade of cognitive and relational social capital components is lower than in the United States. The biggest gap between respondents' grades occurred in the grading of government start-up support as well as support from local authorities. Slovenian respondents graded them substantially lower than those in the United States. To summarize, Slovenian social capital was graded lower than social capital in the United States according to Liao and Welsch (2003).

Thus, the statistically significant differences in perception of studied social capital categories between genders confirmed hypothesis two.

4 Conclusions and policy implications

Female entrepreneurs should not be treated as a monolithic category as they are a diverse and complex group with diverse backgrounds, circumstances, and worldviews (Green & Cohen, 1995). The European Forum of Female Entrepreneurship (European Commission, 2003) identified the need to encourage member states to conduct research leading to reliable statistics in the field of female entrepreneurship. Based on existing literature on female business owners in Slovenia, research is clearly rather limited. As such, the findings of the current

research are particularly significant as differences between male and female owners could explain some of the observed differences in how they develop their business—namely, propensity for growth as well as venture survival or success.

Two recent research studies in entrepreneurship (the Slovenian Entrepreneurship Observatory and the Global Entrepreneurship Monitor) were initially used to support the choice of the current topic. These studies indicated that entrepreneurial potential in Slovenia is not fully utilized. Indeed, a detailed insight into female entrepreneurship in Slovenia showed considerable unexploited possibilities. Female entrepreneurs in Slovenia do not usually face prejudice against their entrepreneurial career, and no legal obstacles limit women from owning an enterprise. Recently, appropriate legislation was adopted that grants equal opportunities to both genders (the Equal Opportunities Act, the Employment Act, and the Parental Protection and Family Benefits Act). Despite these conditions, women decide to become entrepreneurially active less frequently than men (Tominc & Rebernik, 2006).

Part of the explanation for this seeming contradiction can be found in proposed research. In testing the proposed hypotheses the examination of human capital failed to show significant differences, although statistically significant differences in perception of studied social capital categories between genders could be confirmed. As such, differences in presented social capital categories definitely help explain the so often cited gap in female entrepreneurial activity.

Based on this understanding, reasonableness and the applicability of the current research are legitimate for all three declared target groups. From a societal perspective, more knowledge was presented about the factors that promote and deter entrepreneurship. From a theoretical perspective, the proposed model enriches empirical evidence on the micro level of entrepreneurship theories as well as theories of the firm. Finally, from a policy-making perspective, the current study provided a helpful tool for making choices between general and selective support for specific target groups (e.g., male versus female entrepreneurs of different types) as well as how such support should be tailored to yield a maximum return to society.

Given that women remain an unexploited source of entrepreneurship, establishing effective mechanisms for the promotion of female entrepreneurship could be an important source of entrepreneurial ideas in Slovenia. Thus, follow-up studies could be enriched by the following suggestions. First, policies and programs supporting female entrepreneurship should stem from a diagnosis of the motives of prospective female small business owners, focusing on strengthening pull motives, to serve as a basis for more viable and innovative entrepreneurial activities. In addition to the personal characteristics and motivational factors necessary for devising programs and policies supporting female Slovenian entrepreneurs during the start-up phase, it would be interesting to conduct further research related to skills and competences needed not only for start-ups, but also for the development and growth of the business.

Small-firm growth is a complex matter that is multidimensional in scope and character (Scase & Goffe, 1989). It embraces a convergence of owners' (entrepreneurs') ambitions, intentions, and competencies; internal organizational factors; region-specific resources and infrastructures; and external relationships and network configurations (Storey, 1994; Glancey, 1998; Mitra & Matlay, 2000; Shaw & Conwey, 2000). These factors, in turn, undoubtedly impact individual small firms' orientation toward growth and offer a vast space for future research. However, future research should be systematic and continuous in order to contribute to devising policies supporting female business owners.

References

1. Ardichvili, A., Cardozo, R. and Ray, S., (2003). "A theory of entrepreneurial opportunity identification and development". *Journal of Business Venturing*, 18, 105–123.
2. Becker, G. S., (1993). *Human capital: A theoretical and practical analysis with special reference to education*. Chicago: The University of Chicago Press. 390 pages.
3. Ciavarella, M. A., Bucholtz, A. K., Riordan, C. M., Gatewood, R. D. and Stokes, G. S., (2004). "The Big Five and venture success: Is there a linkage?" *Journal of Business Venturing*, 19, 465–483.
4. Davidsson, P. and Honig, B., (2003). "The role of social and human capital among nascent entrepreneurs". *Journal of Business Venturing*, 18, 301-331.
5. European Commission, (2003). *Proceedings of the European Forum on Female Entrepreneurship*, 28 March, Brussels.
6. Glancey, K., (1998). "Determinants of Growth and Profitability in Small Entrepreneurial Firms". *International Journal of Entrepreneurial Behavior & Research*, 4(1), 18-27.
7. Gray, C., (2000). "Formality, Intentionality, and Planning: Features of Successful Entrepreneurial SMEs in the Future?" Paper presented at the *ICSB World Conference 2000*, Brisbane, Australia, June.
8. Green, E. and Cohen, L., (1995). "Woman's business: are woman entrepreneurs breaking new ground or simply balancing the demands of woman's work in a new way?" *Journal of Gender Studies*, 4(3), 297-315.
9. Honig, B., (1998). "What determines success? Examining the human, financial and social capital of Jamaican microentrepreneurs". *Journal of Business Venturing*, 13(5), 371-394.
10. Jones, O. and Tilley, F., (2003). *Competitive Advantage in SMEs. Organising for Innovation and Change*. 408 pages, Wiley & Sons.
11. Liao, J. and Welsch, H., (2003). "Social capital and entrepreneurial growth aspiration: a comparison of technology- and non-technology-based nascent entrepreneurs". *The Journal of High Technology Management Research*, 14, 149-170.

12. Maki, K. and Pukkinen, T., (2000). "Barriers to Growth and Employment in Finnish Small Enterprises". Paper presented at the *ICSB World Conference 2000*, Brisbane, Australia, June.
13. Manolova, T. S., Brush, C. G., Edelman, L. F. and Greene, P. G., (2002). "Internationalization of small firms: International factors revisited". *International Small Business Journal*, 20(1), 9-13.
14. Miner, J. B. (1993), *Role motivation theories*. New York: Routledge.
15. Mitra, J. and Matlay, H., (2000). "Toward the New Millennium: The Growth Potential of Innovative SMEs". Paper presented at *ICSB World Conference*, Brisbane, Australia, June.
16. Năstase, M., (2010), „Developing a Strategic Leadership Approach within the Organizations”, *Revista de Management Comparat International / Review of International Comparative Management*, Volume 11, Issue 3, July 2010, Editura ASE, Bucharest, pp. 454 - 460
17. Rebernik et al., (2004). *Slovenski podjetniški observatorij 2003*. Ekonomsko-poslovna fakulteta Maribor, IPMMP.
18. Rebernik et. al., (2009). *Rast podjetniške aktivnosti v Sloveniji: GEM Slovenija 2008*. Ekonomsko-poslovna fakulteta Maribor, IPMMP.
19. Reynolds, P. and White, S., (1997). *The entrepreneurial Process: Economic growth, Men, Woman and Minorities*. Westport, CT, ZDA: Quorum Books.
20. Ruzzier, M., 2004. *The internationalization of small and medium enterprises: The influence of the entrepreneur's human and social capital on the degree of internationalization*. Univerza v Ljubljani, Ekonomska fakulteta, (dissertation).
21. Scarlat, C., Rozell, E. J. and Scroggins, W. A., (2011). "Characteristics of the Romanian Entrepreneurial Prototype". *Revista de Management Comparat International / Review of International Comparative Management*, 12(1), pp. 84 – 96.
22. Scase, R. and Goffe, R., (1989). *The Real World of Small Business Owner*. London: Routledge.
23. Shane, S. and Venkataraman, S., (2000). "The promise of entrepreneurship as a field of research". *Academy of Management Review*, 25(1), 217-226.
24. Shaw, E. and Conway, S., (2000). *Networking and the Small Firm*. In *Enterprise and Small Business*. Eds. S. Carter in D. Jones-Evans. Harlow, UK: Financial Times/Prentice Hall, 367-383.
25. Širec, K., Crnogaj, K., (2009). »Gender differences in networking of Slovenian SME's". *Revista de Management Comparat International / Review of International Comparative Management*, 10(5), 1043-1059.
26. Solymossy, E., (1998). *Entrepreneurial Dimensions: The Relationship of Individual, Venture, and Environmental Factors to Success*. Department of Marketing and Policy, Weatherhead School of Management, Case Western Reserve University, (dissertation).
27. Storey, D., (1994). *Understanding the Small Business Sector*. London: Routledge.

28. Tominc, P., Rebernik, M., (2006). *Female entrepreneurial growth aspirations in Slovenia: an unexploited resource*. V: Brush, C. G. (eds.), Carter, N. M. (eds.), Gatewood, E. (eds.), Greene, P. G. (eds.), Hart, M. M. (eds.). *Growth-oriented women entrepreneurs and their businesses: a global research perspective*, (New horizons in entrepreneurship). Cheltenham (UK); Northampton (Mass.): E. Elgar, cop., (330-347).
29. Venkantaraman, S., (1997). "The distinctive domain of entrepreneurship research: An editor's perspective". In J. Katz & R. Brockhous (eds.), *Advances in entrepreneurship, firm emergence, and growth*, vol. 3:119-138. Greenwich, CT: JAI Press.
30. Zhao, H., Seibert, S. E. and Hills, G. E., (2005). "The mediating role of self-efficacy in the development of entrepreneurial intentions". *Journal of Applied Psychology*, 90, 1265–1272.