

## **Women Entrepreneurs on the Forefront of Continual Growth: Procuring and Leveraging Capital for Sustainable Businesses**

The emergence and growth of viable women-owned entrepreneurial new business ventures (NBVs) have generated value and fueled innovation on community and global levels. The increased presence has had a remarkable impact on employment and on business environments worldwide. For example, women-owned firms now comprise 25-33% of all businesses in the formal economy and are reasoned to play an even larger role in informal economic systems. Scholarly research in this area has examined the many forms of economic and social value that women-owned NBVs generate vis-à-vis peculiar barriers constraining their establishment and growth. Such barriers include access to credit and financial capital, technology and intellectual property, new markets, and critical information. These barriers constitute unique challenges for women, as research has shown that men are able to surmount them more easily.<sup>1</sup> The intensity of research studies in this area has increased as scholars and policymakers have begun to devote more serious attention toward understanding and supporting women entrepreneurs.

However, despite the large amount of research on the key factors influencing women's entrepreneurship, no study has yet provided an empirical field assessment of established theory in a gendered context. With the goal of delineating the unique circumstances of women entrepreneurs, we undertook a study of over 700 entrepreneurial businesses using the Panel Study of Entrepreneurial Dynamics (PSED) data set. We found that having social capital from experts (e.g., mentors, consultants; henceforth "expert capital") leads to perception of high legitimacy, procurement of venture capital, and higher net worth and longevity for women entrepreneurs. Acquiring expert capital involves creating and building a professional support network team that has expertise in all facets of how to run a business.

Our undertaking is one of the earliest large-scale field studies of women-led NBVs. It provides a clearer view of the unique circumstances facing women entrepreneurs. Findings point to the kinds of steps aspiring or actual women entrepreneurs can take to pursue entrepreneurial success more effectively. In what follows, we discuss our findings in conjunction with past work, giving special attention to what women entrepreneurs can do to procure resources, send signals of credibility to the business community, and achieve entrepreneurial success. We conclude by describing a unique program at the Simmons School of Management that was designed to provide strategic

and tactical support to women entrepreneurs, in light of their unique needs and challenges faced.

### **Highlights of Study Findings<sup>2</sup>**

In summary, we determined that for women entrepreneurs—but not for men entrepreneurs—high expert capital was found to relate positively to formal venture funding (e.g., banks, venture capitalists). High expert capital was also found to relate positively to perceived legitimacy for all entrepreneurs in general and for women in particular. High perceived legitimacy, in turn, related positively to informal venture funding (e.g., friends, family) for women only. We discuss below the implications of these findings, and the specific recommendations for women entrepreneurs to which the findings lead.

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### **Perceived Legitimacy: Leveraging Our Own Social Capital**

Being perceived as a legitimate businessperson of definite credibility is an important resource for enhancing NBV survival odds.<sup>3</sup> From this, it follows that credibility signals offered by entrepreneurs regarding legitimacy are instrumental to procuring resources.<sup>4</sup> Whereas the disadvantages experienced by men entrepreneurs differ from those experienced by women entrepreneurs, Kourilsky and Walstad add that women entrepreneurs are more conscious of threats to legitimacy and have less intent to establish NBVs as a result.<sup>5</sup> How do we counter such beliefs? One way is to leverage our own social capital.

The term "social capital" refers to connections and interactions with outside parties that not only provide access to key resources, but also give the entrepreneur credibility and legitimacy. Research posits that the location of an entrepreneur in a social network provides various types of advantage.<sup>6</sup> In this context, for example, entrepreneurs use informal personal contacts (e.g., potential customers, friends) in addition to formal

ones (e.g., consultants, venture capitalists) to obtain information or to access specific resources (e.g., information, financial support).

Research targeting the relation between social capital and entrepreneurial success offers middling results. Some research suggests no relation between women's entrepreneurial success and social capital.<sup>7</sup> Other research targets more specific social activities through phases of NBV development. Greve and Salaff reported that women entrepreneurs use different kinds of social capital than do men across entrepreneurial phases.<sup>8</sup> Interestingly, although their study found informal contacts to contribute in all phases, women generally used such contacts, including family members, much more than men—including men who inherited their businesses!

Social capital for women entrepreneurs comes frequently in the form of social contacts that support resource procurement.<sup>9</sup> Our study shows it is critical for women to utilize such contacts, as women entrepreneurs who rely on expert capital are perceived as more legitimate. Thus, expert capital procures an intangible resource that can be essential to NBV outcomes. Intangible resources can include information for entrepreneurs to recognize opportunities,<sup>10</sup> support for decision making,<sup>11</sup> and, as found by our study, perceived legitimacy.<sup>12</sup>

Expert capital offers legitimacy because it heralds the intelligence, education, and reputation of experienced professionals. In our latest research, we argue that procuring expert capital is vital to the legitimacy of women-led NBVs. Expert capital relationships can be seen as conduits through which women-led NBVs not only signal to the business community that they are reputable and legitimate, but also by which they can procure additional social capital.

To this point, our findings suggest procuring expert capital is an effective way for women entrepreneurs to gain an understanding of how to leverage debt and equity. And from this notion, it follows generally that such procurement is important to the credible signals of legitimacy women entrepreneurs offer to business communities. R.S. Burt discussed how the likelihood of entrepreneurial success can be expanded by the nature and structure of one's network.<sup>13</sup> From this, the theory claims, networks with structural holes are amenable to opportunity identification as they are easier to manipulate when seeking resources. So far as NBV funding success depends on ties and relationships involving expert capital, our study applies the notion to a gendered context, throwing new light on potential

reasons why women entrepreneurs vary in their levels of success in procuring venture funding.

Consider a gendered context where women entrepreneurs are particularly sensitive to being seen as less credible or legitimate, such as in manufacturing, construction, or software technology. We posited that the expert content of social capital's relational dimension<sup>14</sup> allows women entrepreneurs to send strong signals of credibility. Therefore, in our study we separated social capital into *expert* versus *general* (e.g., friends, family) types. Additionally, based on the value of informal relationships,<sup>15</sup> we separated venture funding into *formal* versus *informal* types. Women entrepreneurs rely on informal contacts more frequently than men.<sup>16</sup> They have also been posited to face less favorable venture funding circumstances ("green ceiling" effect; the latest statistics show that less than 7% of all venture capital is provided to women). An interesting question thus arises around the roles of legitimacy and expert capital on formal and informal venture funding

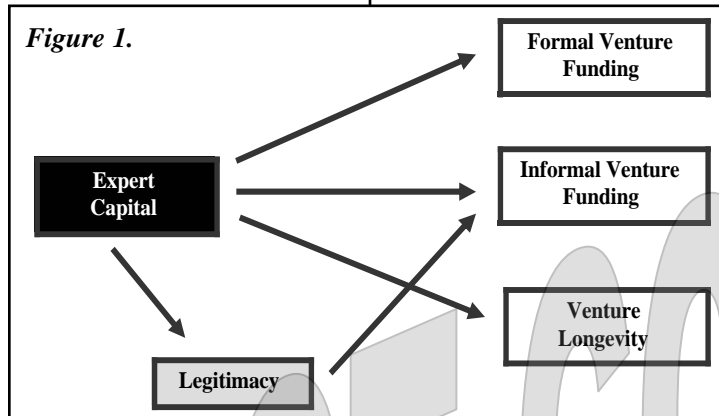
and venture longevity (Figure 1 presents the questions and relationships graphically).

Our results, which fit with the model depicted in Figure 1, reveal that legitimacy can function as an antecedent of informal venture funding for women entrepreneurs in the context of a conceptual framework. Our results also show informal contacts may be more likely to support an entrepreneur who is perceived as credible. Thus, for women entrepreneurs, signs of legitimacy may build confidence in informal contacts, swaying them to invest in the NBV independently of the informal relationship. Thus, whereas family and friends may not discount the personal context in such cases, signals of legitimacy are still likely to be important. So although informal contacts offer support, to be sure, it seems women entrepreneurs still face the potential obstacle of establishing legitimacy in the eyes of informal contacts when it comes to NBV funding.

**Future Directions for Research and Support for Women Entrepreneurs**

Forthcoming work can build on our study by focusing on differential roles of expert capital versus general social capital in the context of gendered entrepreneurship. Given our findings, future research could investigate how general social capital is instrumental to developing networks of expert capital (or vice versa).

The findings of our study suggest the need for structured programs to support aspiring and actual women entrepreneurs in



their quests for legitimacy and social and financial capital. Building these two forms of capital can be developed from both *strategic* (e.g., identifying “The Who”) and *tactical* (e.g., identifying “The How”) perspectives. Below we describe a unique program for women entrepreneurs that addresses both of these perspectives. It may then serve as a model for other such initiatives.

**Answering the Strategic.** The promise of positive growth trends for women in the entrepreneurship space has provided a unique opportunity for the Simmons School of Management (SOM). Offering students a post-MBA Certificate in Entrepreneurship, designed and implemented with appropriate and targeted educational programs and training initiatives, provides a new avenue by which Simmons SOM can actualize its mission of educating women for power and leadership, and will also build a strong pipeline of women excited about starting their own ventures.

Students in the certificate program build their knowledge base through a combination of coursework and experiential education. Working with entrepreneurship faculty, advisors, and entrepreneurs in the community, they will grow their networks and access resources. Such initiatives promise to foster networks of expert capital and social capital for actual women entrepreneurs, which in turn can enhance the awareness of decision makers about the importance of promoting women entrepreneurs, identify best practices for supporting women entrepreneurs, set up local and regional networks around substantive entrepreneurial plans and projects, and change education and training systems to build a culture of women’s entrepreneurship. Figure 2 briefly highlights how intra- and inter-organizational knowledge and resources (including entrepreneurs-in-residence, advisors, and scholars) can be infused within our program to enhance and support the skills and development of our aspiring entrepreneurs. In multiple ways, we are building a solid foundation that gives them the opportunity to integrate varying social and expert capital resources to create new value that contributes to the betterment of society and the economy.

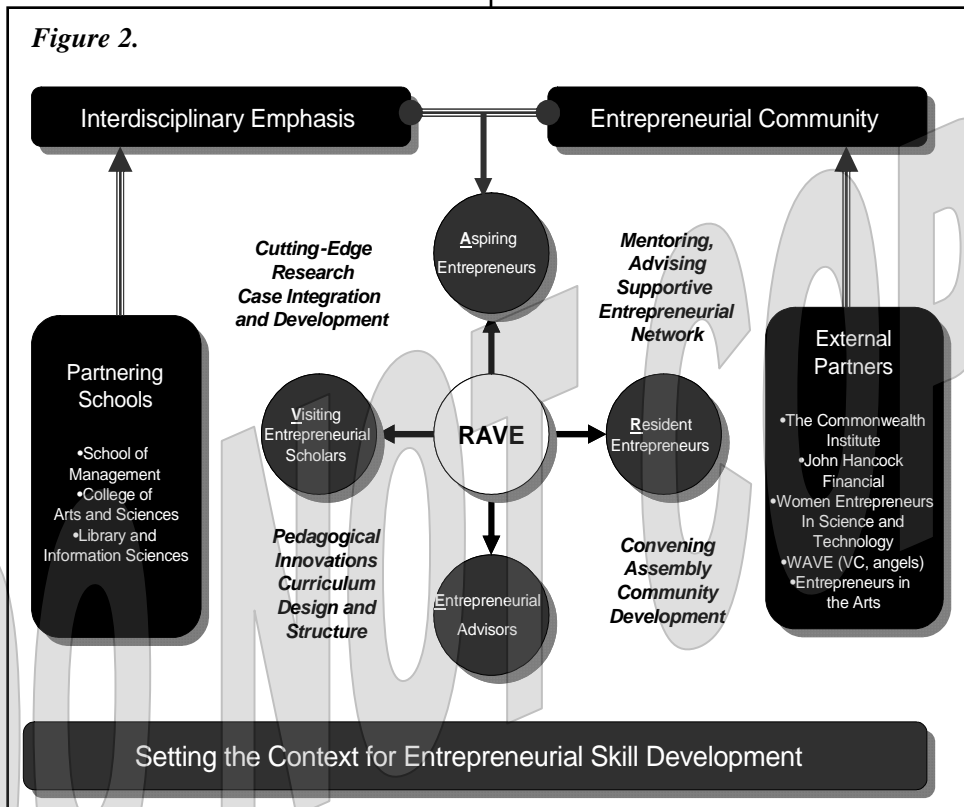
**Planning for the Tactical.** Aligning the strategic with the tactical gives women entrepreneurs the added confidence and competencies needed to launch and sustain their businesses. A challenge for many business owners lies in obtaining the appropriate assistance and information needed to take the business to the next level of growth.<sup>17</sup> In a study of leading women entrepreneurs, many of the entrepreneurs profiled reported that they developed their skills, experience, and contacts while they worked for employers.<sup>18</sup> While studies have found significant differences in the training needs of women entrepreneurs whose firms were in different stages of growth,<sup>19</sup> training and education should comprise distinct themes that encapsulate the major issues confronting women

entrepreneurs as their venture evolves through its lifecycle.

The Certificate in Entrepreneurship program at Simmons SOM focuses on four definable growth stages:

**Stage One: Defining the Opportunity.** Students learn about and establish a clear and feasible opportunity. In our “Pathways to New Ventures” course, students do the necessary analysis of their

Figure 2.



market/industry, identify possible opportunities, and assess the feasibility of an opportunity given the market and financial context. The identification and assessment of the opportunity then serves as a foundation for the second entrepreneurship course as they further define their business model, plan, and strategy around the venture opportunity.

**Stage Two: Business Strategy and Planning.** The documented opportunity will subsequently be packaged into a business plan designed to attract initial start-up resources in “Entrepreneurship and New Venture Management.”

**Stage Three: Growth: Attracting New Resources, Expansion, Alliances, Exits, and IPOs.** This stage will include intensive course work through taking “Growth Strategies for the Emerging Enterprise/Capital Resources for the Entrepreneur” and will focus on honing the business plan to illustrate how growth will be funded and managed and how a successful exit will be achieved.

*Stage Four: Entrepreneurship In Action: Immersion Experience in an Entrepreneurial Venture.* Finally, the fourth stage will allow each student to bridge theory and practice by assisting a local entrepreneur in his/her work through participation in an Entrepreneurship Practicum.

Our curriculum design challenges women in varying functional specializations and experiences, both individually and in a team setting, as they iteratively define and refine their business opportunities and plans while they progress through the suite of integrated courses. At each of the stages, emphasis and design is on integrating our strategic networks and the entrepreneurial community of advisors, mentors, and role models in all stages and courses. Entrepreneurs and practitioners who have the key resources and knowledge are called upon to both challenge and inspire our future women entrepreneurs.

### Conclusion

The process through which women-led entrepreneurial firms plan and achieve continual and sustainable growth often reflects a complex set of motivators and intentions that support this strategic path. Our work has shown the importance of building forms of capital, both financial and social, to facilitate growth and bring legitimacy to the strategic leadership roles of women entrepreneurs. Giving women entrepreneurs strategic and tactical frameworks provides them with the opportunity to leverage their own networks and knowledge resources in order to create meaningful change that positions their businesses on the forefront of continual innovation and growth.

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### Endnotes

<sup>1</sup>Finnegan, G. 2000. Developing the knowledge base on women entrepreneurs: Current work of the International Labour Organization in women's entrepreneurship development and gender in entrepreneurship. Paper presented to the 2nd OECD Conference on Women Entrepreneurs. Paris, November 30.

<sup>2</sup>A full summary of our findings, with chi-square results, are reported in J. Kickul and L. Titus. 2005. CGO Working Paper No. 19, *Context for the Legitimacy of Women Entrepreneurs: The Role of Expert Capital*. Boston, MA: Center for Gender in Organizations.

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<sup>4</sup>Busenitz, L.W., Fiet, J.O., and Moesel, D.D. 2005. Signaling in venture capitalist-new venture team funding decisions: Does it indicate long-term venture outcomes? *Entrepreneurship: Theory and Practice*, 29(1): 1-12.

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<sup>8</sup>Greve, A. and Salaff, J. 2003. Social networks and entrepreneurship. *Entrepreneurship: Theory and Practice*, 28(1): 1-22.

<sup>9</sup>Nahapiet, J. and Ghoshal, S. 1998. Social capital, intellectual capital, and the organizational advantage. *Academy of Management Review*, 23(2): 242-266.

<sup>10</sup>Hills, G.E., Lumpkin, G.T., and Singh, R.P. 1997. Opportunity recognition: Perceptions and behaviors of entrepreneurs. *Frontiers of Entrepreneurship Research*. Wellesley, MA: Babson College Press, pp. 347-348.

<sup>11</sup>Bruderl, J. and Preisendorfer, P. 1998. Network support and the success of newly founded businesses. *Small Business Economics*, 10(3): 213-225.

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<sup>14</sup>Nahapiet and Ghoshal.

<sup>15</sup>Granovetter.

<sup>16</sup>Greve and Salaff.

<sup>17</sup>Gundry, L.K., Ben-Yoseph, M., and Posig, M. 2002. The status of women's entrepreneurship: Pathways to future entrepreneurship development and education. *New England Journal of Entrepreneurship*, 5(1): 39-50.

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<sup>19</sup>Gundry, L.K. 1997. The leadership focus of women entrepreneurs at start-up and growth. *A Leadership Journal: Women in Leadership*, 2(1): 4-16.

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