

# Gender Differences Among MBA Entrepreneurs

*Richard DeMartino, Ph.D., Rochester Institute of Technology*

*Robert Barbato, Ph.D., Rochester Institute of Technology*

## **Abstract**

*Gender differences are explored in this study using a select sample of entrepreneurs who had received MBA's from a top business school. This select sample allows for more accurate comparisons, given the similarities in ability, credentialism, education, and career stage. Patterns of differences do emerge based on gender, and the study explores reasons for these patterns. Included among the reasons are reported differences in life style preferences and wealth creation preferences. Family issues also emerge as areas that warrant further exploration.*

## **Background**

Women are starting new ventures at two to three times the rate of men, and the number of women owned enterprises is quickly approaching that of their male counterparts.

According to the American Enterprise Institute there are now 9 million women-owned businesses, and this does not include home-based and other micro businesses that don't employ people. This represents a 250% increase in the last 8 years. Women-owned firms employ over 18 million workers and account for over \$2.3 billion in annual revenues.<sup>i</sup>

The impact of this phenomenon on the U.S. economic landscape is significant, and researchers continue to explore differences in characteristics, motivations and styles of

female entrepreneurs. Although there are many similarities between male and female entrepreneurs, past research has uncovered differences.

It is important to understand these differences, because the impact of women-owned business continues to grow, however, comparisons between male and female entrepreneurs often suffer, because studies do not often control for other differences that exist between males and females. The impact of gender differences remains unresolved because differing backgrounds and education levels between male and female entrepreneurs are difficult to avoid. This study attempts to resolve that issue by comparing entrepreneurs who are similar in backgrounds and education level.

For this study, a sample of MBA graduates from a top 15 business school, who started their own business was chosen. In this case, the two groups share an education and a credential that is valued in the workplace. This study will explore differences that emerge from this common base in order to draw conclusions about gender gaps among entrepreneurs. To date, no study has been done that compares male and female MBA graduates who start their own venture.

### **Previous Research**

Most reviews agree that, while there are similarities between male entrepreneurs and female entrepreneurs, important differences also exist. Brush's review of the literature suggested that female entrepreneurs have different motives for starting a business. More so than men, women are motivated by dissatisfaction with their current employment, and

see business ownership as a job alternative that is more compatible with other aspects of their life.<sup>ii</sup> Buttner argued that men and women are mostly similar in their motivations, however she did note that women are more often motivated by family needs, in contrast to men, who are more often motivated by economic motives.<sup>iii</sup> In a more recent study, Moore and Buttner use anecdotal evidence to show that women are less engaged by corporate careers, and this frustration and disenfranchisement pushes them to seek careers as business owners outside the corporate culture.<sup>iv</sup>

Although, previous research indicates that these differences exist, it is not clear why they exist. Some have suggested that women start their own business because of issues related to discrimination, while others suggest that socialization influences the decision.

Alvarez and Meyer have concluded that, compared to their male counterparts, women business owners are highly educated and could use this education to obtain good jobs. However, they do not perceive employment with a major corporation to be as satisfying. Hence, women entrepreneurs start their own business not because of a lack of alternatives, but rather, because business ownership satisfies a need to maintain high-level skills.<sup>v</sup> Hisrich, et. al, have suggested that gender differences in entrepreneurial performance are due to either “social feminism”, i.e., socialization experiences that limit and disadvantage women, or “liberal” feminism, i.e., overt discrimination against women, such as, less access to capital or management assistance.<sup>vi</sup> The authors found that, despite similarities in terms of age, education, and marital status, economic necessity and recognition were significantly more important to women than men. Women also rated

themselves higher on dealing with people, oral presentation and motivation. In addition, women perceived that they had less favorable access to debt than men. The authors conclude that, based on their findings, a model of women's entrepreneurship should be developed separately from current entrepreneurial theory.

However, Coleman, in a study that explored gender differences among banking relationships between business owners and lenders, concluded that lenders do not discriminate on the basis of gender. In fact, women have the same access to capital as men, when variables such as firm size and firm age are held constant. However, they do lend less and charge more to smaller and younger firms, as has been reported in previous studies, women-owned businesses are significantly smaller and younger than those owned by men.<sup>vii</sup>

Additionally, in a study of the business start-up process among Scandinavian entrepreneurs, Alsos and Lungren concluded that there are few gender differences among nascent entrepreneurs. However, they did note that women entrepreneurs are less likely to write a business plan, and, when they do, it is often later in the business formation process. The women entrepreneurs in this study were less educated than the male entrepreneurs.<sup>viii</sup>

Although researchers are finding differences in motivation between the genders, it is not clear whether these differences would exist if we compared males and females who have identical educational credentials, which provide entry to successful corporate careers.

Under these circumstances, would women still seek entrepreneurship for different reasons than men, and would they choose entrepreneurial ventures that are different than the ones men choose?

### **Purpose of this Study**

It is often difficult to draw conclusions from comparisons between male and female entrepreneurs, because men and women who choose entrepreneurship as a career often have different backgrounds. This study uses data collected from entrepreneurs who are MBA graduates of a business school that consistently appears in the top ten rankings of MBA programs. By selecting a more homogeneous group of entrepreneurs to study, true differences between male and female entrepreneurs are more likely to emerge.

In studying a group of elite business graduates, who chose entrepreneurship as a career, this research is able to compare males and females who begin their career path from the same point. Although differences exist between the two groups, both men and women entrepreneurs in this study share several characteristics in common, including:

educational success, knowledge of business processes, and excellent career prospects.

One can surmise that these graduates are less constrained than others who may be “pushed” into entrepreneurship<sup>ix</sup>, and consequently any differences between men and women that show up as they follow their respective entrepreneurial paths may directly reflect differences in choices that might not be inferred from other studies comparing the two groups.

## **Survey and Research Methods**

In 1998 a survey was administered to alumni of an MBA program from a well-known business school that consistently ranks among the top 15 business schools in the U.S. Its graduate placement, in terms of compensation and industry, is representative of the other leading business schools. In addition, previous exploratory research suggests that the career path of other top business school graduates share a number of similarities.<sup>x</sup>

The survey represents one of the most comprehensive career-path research efforts undertaken. It was administered to the entire alumni population and received a 43% response rate. Overall, the survey was representative of graduating class and gender. The survey included 39 questions, which contained the potential for more than 130 responses, and requested a broad array of information related to employment history, current employment, career transition history & expectations, career preferences, and respondent profile. Of those surveyed, 497 alumni responded that they were either entrepreneurs or self-employed, and these are the entrepreneurs who form the basis for this research.

Entrepreneurs were identified in two ways. First, the survey requested data on current employment status. One option was listed as “self-employed or entrepreneur”. Second, the question then asked what type (form) of business the individual created if they were currently self-employed or an entrepreneur. If either question was marked, the individual was listed as an entrepreneur. The survey allowed alumni to define themselves as being an entrepreneur or self-employed, regardless of the size or duration of their enterprise.

Four potential types (forms) of entrepreneurial businesses were listed in the survey: started own company, purchased existing company, purchased franchise, and otherwise self-employed, e.g., private attorney, consultant, etc. In creating these options the survey sought to distinguish whether entrepreneurs created a business primarily to grow and build (started own company), purchased an existing company (purchase or franchise), or sell their services (otherwise self-employed).<sup>1</sup> This analysis collapses these four categories into two: “business ownership”, which includes starting, purchasing, and franchising a business and “otherwise self-employed”.

Additionally, the survey requested information on the career motivators/preferences underlying each respondent most recent employment opportunity. Respondents were asked to rate the importance of eight lifestyle-related career motivators that influenced their choice of employment.

The study reports the results of only those entrepreneurs graduating in the past 20 years. This was done because prior to 1978 very few women graduated from the population explored. Including earlier graduating classes would have potentially biased the resulting gender comparison.

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<sup>1</sup> The category of “otherwise self-employed” is intended to measure self-described entrepreneurs who started businesses with the intension of selling their services, rather than operating a conventional business. This variable can be confusing because some industries, such as those in law, accounting, medicine, etc., often use this as a normal mode of operation. To avoid confusion, the few survey respondents working within these fields (n<5) were removed from the analysis.

## Results

The study found many similarities between men and women entrepreneurs. Roughly similar percentages of males and females start businesses, and the ages of those businesses are almost identical. In addition, the two groups are almost identical in the number of years since graduation when they started their business.

Slightly fewer women start businesses than men. Sixteen percent of the male respondents (n = 201) had started a business compared to 12% (n = 60) of the female respondents. This same slight difference is also reflected among the respondents who indicate a desire to seek entrepreneurship as a future career path. While 11% (n = 47) of the women indicate that it is very likely they will become entrepreneurs in the future, 16% of the male respondents say it is very likely that they will someday become an entrepreneur. Men and women in this study also do not differ in the ages of the businesses that were started. The average age of businesses started by men was 7.34 years, and the average age of businesses started by women was 7.37 years. Correspondingly, it took men 11.77 years since graduation to start their first business, and it took women 11.51 years.

**Years to Business Creation**  
**Entrepreneurs (20 yrs or less)**  
**Table 1**

Groups	Mean	Standard Deviation	n
Entrepreneurs	7.34	4.9884	218
Women Entrepreneurs	7.37	4.4898	51
Men Entrepreneurs	7.34	5.0451	167

**Years Since Graduation  
Entrepreneurs (20 yrs or less)**

**Table 2**

Groups	Mean	Standard Deviation	n
Entrepreneurs	11.71	5.4206	261
Women Entrepreneurs	11.52	5.3441	60
Men Entrepreneurs	11.77	5.4550	201

Despite the similarities listed above, several important differences exist between surveyed male and female entrepreneurs. When the term entrepreneur is divided into two groups: those that own a business vs. those that refer to themselves as self-employed, large distinctions emerge between genders. Most female entrepreneurs (58%) do not own a business; rather, they describe themselves as self-employed. In contrast, 80% of the male entrepreneurs own a business, in most cases one that they started.

**Type of Business Established  
Entrepreneurs (20 yrs or less)**

**Table 3**

Group	Business Ownership	n	Otherwise Self- Employed	n
Entrepreneurs	71%	182	29%	73
Women Entrepreneurs	42%	25	58%	34
Men Entrepreneurs	80%	157	20%	39

The survey results suggest that despite the many demographic similarities, men and women choose to become entrepreneurs for very different reasons. These differences exist even though the genders made the same choices when it came to studying business

and getting an MBA from a prestigious business school. Possessing the same business education and the same degree with equally excellent career prospects did not alter the pattern that distinguishes other male and female entrepreneurs. This phenomenon seems pervasive and isn't easily explained by patterns of discrimination in this case, since both groups were able to gain admission to a select graduate business program and successfully complete that program. However, responses to other questions on the survey offer an explanation for the different choices made by female and male entrepreneurs. One explanation is the different attitudes toward family issues and lifestyle preferences, which are reported by male and female entrepreneurs.

### **Family Issues and Their Effect on Entrepreneurship**

Among the explanations for the different choices made by male entrepreneurs and female entrepreneurs is the question of lifestyle preferences and family issues. Men and women entrepreneurs differ in terms of their lifestyle preferences. This in turn is affected by family circumstances such as marriage and having dependent children. The impact of marriage and dependent children affects the lifestyle preferences of women differently than men.

Women entrepreneurs value career flexibility substantially higher than men. Fully 85% of women entrepreneurs indicate that career flexibility was a very important motivator to becoming an entrepreneur. However, only 51% of the male entrepreneurs rate flexibility as very important. Marriage increases the importance of flexibility much higher than for women than men. While 41% of single male entrepreneurs feel that

career flexibility is very important, 54% of married male entrepreneurs feel this way. This is an increase to be sure, but not as significant as women entrepreneurs, where 67% of single women entrepreneurs classify career flexibility as very important, compared to 90% of married women.

The impact of dependent children is even more dramatic. Among male entrepreneurs, having dependent children has a small impact. While 48% of men without dependent children say that career flexibility is valued, this number only increases to 54% among male entrepreneurs with dependent children. The impact on women is far more dramatic. Sixty-eight percent of women entrepreneurs without dependent children see career flexibility as important, however that number jumps to 96% among female entrepreneurs with dependent children. In fact all but one female entrepreneur with dependent children said that career flexibility was important.

**Preferences by Gender  
Entrepreneurs (20 yrs or less)  
Table 4**

Factors	Women	Men
<b>Career Flexibility</b>	<b>85%</b>	<b>51%</b>
Family Friendly Policies	65%	29%
<b>Family Obligations</b>	<b>54%</b>	<b>23%</b>
Geographic Proximity	83%	54%
Spouse/Co-Career Issues	58%	22%

**Preferences by Gender and Marital Status  
Entrepreneurs (20 yrs or less)**

**Table 6**

<b>Preferences</b>	<b>Married Women</b>	<b>Single Women</b>	<b>Married Men</b>	<b>Single Men</b>
<b>Career Flexibility</b>	<b>90%</b>	<b>67%</b>	<b>54%</b>	<b>41%</b>
Family Friendly Policies	77%	11%	32%	18%
<b>Family Obligations</b>	<b>64%</b>	<b>11%</b>	<b>25%</b>	<b>15%</b>
Geographic Proximity	80%	100%	55%	53%
Spouse/Co-Career Issues	69%	11%	26%	9%

**Preferences by Gender and Dependent Children  
Entrepreneurs (20 yrs or less)**

**Table 5**

<b>Preferences</b>	<b>Women w/dependents</b>	<b>Women w/o dependents</b>	<b>Men w/dependents</b>	<b>Men w/o dependents</b>
<b>Career Flexibility</b>	<b>96%</b>	<b>68%</b>	<b>54%</b>	<b>48%</b>
Family Friendly Policies	93%	21%	37%	15%
<b>Family Obligations</b>	<b>79%</b>	<b>16%</b>	<b>30%</b>	<b>12%</b>
Geographic Proximity	79%	90%	59%	50%
Spouse/Co-Career Issues	71%	37%	22%	21%

Concerns about family obligations also show a similar pattern. Women value family obligations substantially higher than men. Fifty-four percent of women reveal that family related obligations were a very important influence in becoming an entrepreneur. Only 23% of men ranked this influence as a very important factor. Marriage increases the importance of family obligation much higher for women than men. While only 11% of single women rank family obligations as very important, 64% of married women do. Family obligation for single men is far less important than for both married men and

women. Fifteen percent of single men and 25% of married men ranked family obligations as important.

The impact of dependent children shows a much more powerful impact on how family related issues impact women and men. While 12% of single men rate family obligations as a very important factor, the number increases to 30% with male entrepreneurs with dependent children. The change for women is far more dramatic. Whereas only 16% of women without dependents rated family obligations as an important influence on their decision to become entrepreneurs, the number increases to 79% for women with dependents.

### **Wealth Creation and Its Effect on Entrepreneurship**

The survey results also uncovered substantial gender differences regarding the influence and importance of wealth creation as an entrepreneurial motivator. Very few female entrepreneurs name wealth creation as an important preference, while male entrepreneurs frequently mention wealth creation. In fact, among eight choices, wealth creation is the most important value for male entrepreneurs. For women, wealth creation ranks near the bottom of the list. The impact of marriage, however, is significant. Wealth creation is important to unmarried female entrepreneurs, who consider wealth creation the third most important value. While only 23% of married female entrepreneurs consider wealth creation important, 56% of unmarried female entrepreneurs say it is important. This is not the case with male entrepreneurs, however. The differences between married and unmarried male entrepreneurs is negligible; 76% vs. 82%.

**Preferences by Gender  
Entrepreneurs (20 yrs or less)**

**Table 7**

Factors	Women	Men
Potential for Advancement	23%	43%
Position/Status	19%	28%
<b>Wealth Creation</b>	<b>29%</b>	<b>76%</b>

**Preferences by Gender and Marital Status  
Entrepreneurs (20 yrs or less)**

**Table 8**

Preferences	Married Women	Single Women	Married Men	Single Men
Potential for Advancement	18%	44%	41%	46%
Position/Status	18%	22%	29%	24%
<b>Wealth Creation</b>	<b>23%</b>	<b>56%</b>	<b>76%</b>	<b>82%</b>

**Preferences by Gender and Dependent Children  
Entrepreneurs (20 yrs or less)**

**Table 9**

Preferences	Women w/dependents	Women w/o dependents	Men w/dependents	Men w/o dependents
Potential for Advancement	18%	28%	42%	47%
Position/Status	11%	32%	28%	23%
<b>Wealth Creation</b>	<b>21%</b>	<b>37%</b>	<b>76%</b>	<b>77%</b>

**Family Related Issues, Wealth Creation and Their Impact on Business Types**

The different career motivators of women and men also play a role in determining the types of business created. Those respondents who own a business (both men and women) found wealth creation much more important than family related influences.

Seventy-five percent of business owners found wealth creation very important, while only 52% and 26% found career flexibility and family obligations very important. Those respondents who classified themselves as otherwise self-employed (both men and women) found family related influences more important than wealth creation. Seventy-five and 44% of the self-employed found flexibility and family obligations as very important, while only 36% found wealth creation very important.

**Preferences by Type of Business**  
**Entrepreneurs (20 yrs or less)**  
**Table 10**

<b>Factors</b>	<b>Business Ownership</b>	<b>Otherwise Self- Employed</b>
<b>Career Flexibility</b>	<b>52%</b>	<b>75%</b>
Family Friendly Policies	30%	55%
<b>Family Obligations</b>	<b>26%</b>	<b>44%</b>
Geographic Proximity	58%	67%
Spouse/Co-Career Issues	26%	44%
Potential for Advancement	43%	19%
Position/Status	30%	13%
<b>Wealth Creation</b>	<b>75%</b>	<b>36%</b>

When these figures are viewed by gender the above trends persist. Both women and men who are self-employed possess a higher intensity of preference for family related factors and a lower intensity for professional advancement and wealth appreciation. Those self-described as business owners are more highly motivated by wealth creation than family related issues.

**Preferences by Type of Business  
Entrepreneurs (20 yrs or less)  
Table 11**

Factors	Women Business Owners	Women Otherwise Self- Employed	Men Business Owners	Men Otherwise Self- Employed
<b>Career Flexibility</b>	<b>79%</b>	<b>89%</b>	<b>49%</b>	<b>61%</b>
Family Friendly Policies	58%	68%	26%	42%
<b>Family Obligations</b>	<b>47%</b>	<b>57%</b>	<b>22%</b>	<b>30%</b>
Geographic Proximity	74%	89%	56%	47%
Spouse/Co-Career Issues	58%	57%	21%	31%
Potential for Advancement	22%	21%	47%	17%
Position/Status	21%	18%	31%	7%
<b>Wealth Creation</b>	<b>37%</b>	<b>21%</b>	<b>81%</b>	<b>48%</b>

## Conclusions

Studies that compare male and female entrepreneurs suffer from the lack of a common career starting point. Differences that show up may be related to different career opportunities, academic credentials, etc. This study, however, examines entrepreneurs, who had similar career opportunities. In many ways, the two genders show a similar career trajectory in terms of making the choice to become entrepreneurs. Roughly similar percentages choose to become entrepreneurs, and they do it at the same time.

However, this study provides evidence that male entrepreneurs and female entrepreneurs choose an entrepreneurial career for different reasons. This different approach to entrepreneurship shows up most dramatically in the choice by female entrepreneurs to prefer self-employment to business ownership. While almost all the male entrepreneurs

in this study (84%) describe themselves as business owners, most of the female entrepreneurs do not own a business. Instead they choose self-employment as their route to entrepreneurship.

The study showed that those entrepreneurs choosing self-employment over business ownership often have different values in when it comes to family oriented goals and career advancement goals. Those choosing self-employment also report that family oriented goals are much more valuable to them. These family oriented goals include: career flexibility, family friendly policies, family obligations, geographic proximity, and spouse co/career issues. In every case, those entrepreneurs choosing self-employment rate these issues very important more frequently than entrepreneurs who own their own business. None of this seems surprising, given the increased flexibility often associated with self-employment.

At the same time, the value of wealth creation is more closely associated with owning a business. This value set includes the following values: potential for advancement, position status, and wealth creation. Again, in each case those entrepreneurs who choose business ownership have a higher intensity of preference for wealth creation than those entrepreneurs who choose self-employment. This makes sense, since a business has higher potential to generate revenues and will have more value when the entrepreneur decides to sell or harvest the business.

In addition to the above relationships, this study shows that female entrepreneurs value lifestyle choices more than male entrepreneurs, while male entrepreneurs value wealth creation choices more than female entrepreneurs. These differences widen considerably for those who are married and for those who have dependent children.

An examination of lifestyle variables offers some explanation as to why female entrepreneurs choose a different entrepreneurial path than their male counterparts. Career flexibility is more valued by female entrepreneurs than males, and this is especially true for entrepreneurs with dependent children. In fact, 42% more female entrepreneurs with dependent children rate career flexibility as an important factor as do male entrepreneurs with dependent children. Mirroring this phenomenon, 42% more male entrepreneurs choose business ownership, as do female entrepreneurs.

The data in this study also suggest that marriage plays a role in understanding the differences between male and female entrepreneurs. Although more male entrepreneurs rate wealth creation high among their goals than do female entrepreneurs, the difference widens considerably when you compare married male entrepreneurs to married female entrepreneurs. While most unmarried female entrepreneurs say that wealth creation is very important, only 23% of married female entrepreneurs choose wealth creation as a very important goal.

In summary, this study uses female entrepreneurs and male entrepreneurs with similar backgrounds so that comparisons will be more meaningful. Female entrepreneurs more

often choose self-employment over business ownership, while very few male entrepreneurs become self-employed. A preference for family values is more associated with self-employment, while a preference for value creation is more closely associated with business ownership. Female entrepreneurs more often choose family values over wealth creation, and this is especially true of female entrepreneurs that are married and have dependent children.

While this study offers an understanding of how male and female entrepreneurs differ and also offers explanations that are associated with those differences, similar studies need to examine this phenomenon among entrepreneurs with different backgrounds. In addition, as more and more females choose entrepreneurs, future studies need to examine the extent to which this pattern continues.

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