Closing the gap: Understanding and encouraging female entrepreneurship

Dr Elizabeth R. Moore, Head of Leadership at The University of Law Business School, provides a comprehensive analysis on bridging the gender gap to welcome more female entrepreneurship

Over the past two decades, women globally have begun to edge slightly closer to men in filling managerial and C-suite positions in many industries. There is one sector, however, that has failed to gain the advances made across other industries – this is the area of entrepreneurship. In the UK, the numbers have improved slightly. According to The Rose Review, 'In 2022, women in the UK established over 150,000 new companies – more than twice as many as in 2018.

Our findings show that 16 to 25-year-old women founded nearly 17,500 businesses in 2022, a figure that’s more than 22 times greater than in 2018. All-female-led companies represented 20% of all businesses in the UK in 2022, up from 16% in 2018.' (The Alison Rose Review of Female Entrepreneurship, February, 2023).

The female entrepreneurship gap

According to the World Bank, however, amongst women worldwide, “The gap in female entrepreneurship remained widespread and stable over the past years. From 2014 to 2020, the average share of female entrepreneurs was way below the share of male entrepreneurs.” (“We-Data: Measuring the gap in female entrepreneurship around the world”, Frederic Meunier, Sabrina Fantoni, and Sarah Kouhlani-Nolla, World Bank Blogs, March 22, 2022).

The current statistics are grim: “Women represent on average 1/4 of new business owners and directors while men stand for 3/4 of new business owners and directors.” (World Bank, March 22, 2022). Why is it that, with women constituting the majority of the global workforce, they continue to trail significantly behind men when it comes to starting and running their own businesses?

According to the World Bank and the OECD, several factors contribute to the gender gap in entrepreneurship. These factors include, among others: 1) Inequalities across the world due to legal constraints and unequal access to institutions; 2) Disparities in education between men and women; 3) A gap in access to digital technology; 4) Social attitudes towards women
in the labour market; 5) differing motivations in entrepreneurship; 6) Lack of entrepreneurship skills, and other barriers women face in trying to create businesses. (World Bank, March 22, 2022, and OECD: “Is the Gender Gap in Entrepreneurship Closing?”, OECD.

The World Bank has ascertained that, in parts of the world where the rule of law is weak, women have a harder time safely engaging in entrepreneurial endeavours due to a lack of legal protections and development. In contrast, the proportion of female entrepreneurs is larger in parts of the world where the rule of law is more consistently observed and enforced. Globally, however, men have more access and opportunity to start and operate businesses than women. (World Bank, March 22, 2022).

Entrepreneurship and technology

These opportunities stem not only from larger institutional problems such as weak legal structures and lack of access to institutions. Something as seemingly simple as a lack of access to a smartphone has a profound impact that hinders the potential for smaller entrepreneurs, a category into which most female entrepreneurs across the globe fall. Again, according to the World Bank’s statistics, roughly 327 million fewer women than men have access to a smartphone and can access the mobile internet worldwide. ‘On average, women are 26% less likely than men to have access to a smartphone.’ (World Bank, March 22, 2022).

Entrepreneurship and education

Perhaps the most significant obstacle to female entrepreneurship worldwide, however, is the disparity in education between males and females. In many countries in the world, often less developed ones, girls are either not encouraged or are expressly forbidden from attending school, thereby preventing them from gaining the knowledge and skills necessary to create viable businesses. Combine this with the already much higher levels of poverty for women around the world, and you have a recipe for stilted growth and failure to thrive in entrepreneurial ventures.

Encouraging women in entrepreneurship

In recent years, national and global policymakers have been doing more to encourage women in entrepreneurship. Strategies such as offering microcredit, entrepreneurship training, coaching and mentoring, and incubators have all helped to advance opportunities for female entrepreneurs. Women worldwide, however, have far less access to finance, networks, and support than their male entrepreneurial counterparts. Amongst the many obstacles they face, however, one central factor typically goes regarding entrepreneurship: children.
Interestingly, employers in many parts of the world are increasingly aware of the importance of strategies such as flexible working hours and hybrid work as ways to attract and retain top talent amongst women with families. In entrepreneurship, however, the subject of families is the elephant in the room.

**Increase female entrepreneurship**

To create a profound sea change in increasing female entrepreneurship, policymakers must support projects that build dedicated risk capital infrastructure while also focusing on skills-building, networking, educational, and incubator projects that are creatively designed to help women with young children remain actively engaged in entrepreneurial projects so that they can build their businesses in those early years, without losing the opportunities that are much harder to come by if they are forced to wait until later.

Various institutions cite varying statistics regarding the amount of GDP lost each year due to women dropping out of the labour market because of infrastructure and attitudes that make it nearly impossible to raise young families while working. But all agree that the loss is tremendous. And entrepreneurship may suffer the greatest loss of all. Entrepreneurship plays an enormous role in creating jobs, growth, and innovation. The more policymakers do to cultivate women’s entrepreneurial aspirations, the more our economies, and societies, will benefit across the board.

**References**

1. “We-Data: Measuring the gap in female entrepreneurship around the world”, Frederic Meunier, Sabrina Fantoni, and Sarah Kouhlani-Nolla, World Bank Blogs, March 22, 2022

2. “Is the Gender Gap in Entrepreneurship Closing?” OECD
   https://www.oecd.org/gender/closingthegap.htm

3. The Alison Rose Review of Female Entrepreneurship: