

Aotearoa Centre for Enterprising Women research snapshots

Unlocking the entrepreneurial potential
of women in Aotearoa New Zealand
through research and education.

No. 1

Challenging how entrepreneurial finance thinks about gender: Past, present and future concepts

Ask any woman who has founded a start-up: lack of access to finance is holding back female entrepreneurs. Why? Do women just not ask for outside funding? Do investors turn them down? Janine Swail's recent mini-review and critique* of the entrepreneurial finance literature (EFL) since 2000 finds that it still too often seeks answers in the myth of a gender-neutral meritocracy. Despite progress, EFL misses the wood of the whole investment "ecosystem" for the trees of individual players. Underfunding, Swail argues, is not some female failing for females to fix. It stems from unconscious structural biases across-the-board. Researchers, entrepreneurs, investors and policymakers; men, women, firms and institutions – all must change how they think and talk about, and act on, the very concept of gender.

As sources of finance, EFL mainly studies wealthy individual "angels" and venture capitalist (VC) firms pooling professional investors. Regarding both sources it long either ignored gender or claimed that women's ventures underperformed, blaming a lack of ambition, competence and risk appetite or bad choices of industry. Reducing gender to a male/female sex variable has oversimplified matters. More sophisticated thematic analysis has gradually revealed, for instance, how structural factors like job segregation push women into service-oriented, low-tech, low-growth industries.

Female entrepreneurs mostly approach female VCs and angels. But while their slice of VC funding in the US quadrupled from a tiny 4% over 1999–2012, 86% of VC firms themselves still had no women managers. Blaming this on women investors' risk aversion just shifted the underperformance narrative to the supply side and overlooked men's structural domination of finance. Admirable responses like the US's Rising Tide Angel Training Program might face problems, though. For, in one study women founders who were funded only by women investors halved their chances of raising vital further capital. Meanwhile, in pitches VCs unconsciously asked men more about growth promotion and women more about loss prevention. Unconscious bias affected female VCs, too.

Swail exposes many a catch-22. Entrepreneurs who defy the feminine stereotype get branded as unfittingly aggressive. Securing funds from women investors is read as a sign of diversity activism, not merit. And to prove their mettle in a man's world, those investors often back male-led ventures.

Most striking is repeated evidence of female ventures outperforming male. Like simply saying women do not ask for finance, the underperformance theory is a research dead end, Swail concludes. EFL could instead break ground by analysing the secrets of female outperformers. It should also study firms and ecosystems, not just individuals. The capital-raising journeys of LGBTQ+ entrepreneurs would enrich the gender concept. Going beyond silos, researchers could ask how new sources of early funds, like crowdfunding platforms, accelerators and incubators, might help women transition to more traditional long-term sources. Finally, as many start-ups begin at home and COVID-19 turned back the clock on domestic labour sharing, what can the pandemic teach us?

* The original critique/mini-review is available as a chapter authored by Janine Swail: "16: Conceptualizing gender in entrepreneurial finance: Past trends, current developments and future opportunities". In D. Lingelbach (Ed.), *De Gruyter Handbook of Entrepreneurial Finance, 2022* (pp. 317–334). Chapter DOI: 10.1515/9783110726312-021