

## Tackling the Gender Gap in Entrepreneurship



By Sarah Kaplan , Rotman School of Management

### **The right combination of message and methods would help level the playing field.**

As tough as it is for talented women to climb the corporate ladder as compared to men, female entrepreneurs may have it even harder. According to a 2014 [U.S. Senate report](#), a paltry 4.4 percent of the total value of conventional small business loans went to women-owned businesses. Women comprise only [7 percent of founders](#) receiving US\$20 million or more in the testosterone-heavy world of U.S. venture capital, Bloomberg reported last year.

Some VCs claim that if women were pitching high-quality businesses, the meritocracy would duly reward them. But recent research shows that all else being equal, men still fare better than women – such as a study finding that the same video pitch for a start-up was [twice as likely to get funded](#) by

investors when narrated by a male voice than by a female one.

For investors, fixing the flaws in the entrepreneurship “meritocracy” would result in wiser decisions and higher returns, ultimately benefiting the entire ecosystem. However, researchers aren’t agreed on the policies and practices that could consistently help bridge the gender gap in the start-up world. In a current study (with Peter Roberts of Emory University), I am using a gender lens to scrutinise the performance of innovation accelerators – programmes whose explicit goal is to give a boost to new entrepreneurs – with two questions foremost in mind: Are these accelerators working for women? And if so, how specifically are they moving the needle?

Our early findings offer both good and bad news. While the right combination of messaging and methods could help women make strides toward gender parity, most accelerators adopted either half the equation or none. Without a productive alignment of words and actions, women entrepreneurs are unlikely to benefit from these sorts of interventions.

## **Innovation accelerators**

Before jumping into the study, let’s distinguish accelerators from the more familiar incubator model. Unlike incubators, accelerators don’t offer physical infrastructure for operations. They are more like entrepreneurship bootcamps where a cohort of start-ups are given fixed-period access to an intense regimen of mentoring and training designed to make them grow up fast. Some are structured as competitions with a prize (usually funding) awarded at the end; make grants or loans available to all participating companies; for others, participants receive only non-financial resources such as education and access to networks.

We chose to study accelerators in part because the limited time period allowed for easy delineation of post-programme impact. To be precise, we analysed 49 accelerators in the social innovation space, a field generally thought to be more female-friendly, so that there would be enough female participation to make a viable comparison. Surveys from the accelerators as well as from more than 3,000 ventures that applied to the accelerators between 2013 and 2015 – including those that were rejected – comprised our main dataset.

## **Application and selection**

With research on accelerators still in its infancy, many have questioned whether such programmes are more effective than angel investing, etc. at speeding start-up maturation. Happily, our study found that acceleration does work, for both women- and men-led teams. Indeed, in the aggregate we found no average difference in post-programme performance that could be attributed to gender. A closer analysis, however, reveals telling gender differences.

Chronologically, the first point of interest was the gender mix of the applicants. Accelerators that made special overtures to potential women applicants received more applications from women. Accelerators that used language emphasising financial performance, or solo entrepreneurs rather than teams, received fewer applications from women-led start-ups. Here, we spot similarities to well-publicised research demonstrating that women job-seekers are less likely than male ones to apply for a job when they don't fulfill all the requirements in the job description.

Interestingly, application rates prefigured the accelerators' selection decisions. Accelerators who solicited applications from women not only received more but also accepted them at a greater rate than accelerators that didn't reach out to women. Also, programmes emphasising financial returns under-selected women – indicating that women entrepreneurs may have been rational in choosing not to apply to these programmes.

## **Performance**

Talking the talk on gender parity garnered tangible results in the application and selection stages, but what about performance? Not all women-led start-ups that went through accelerators benefited equally one year later, or in fact saw any benefit whatsoever. Accelerators with a critical mass (30 percent or more) of women programme leaders and mentors were much more effective with women-led ventures. Additionally, when the accelerator was run as a contest with prizes, women alums performed worse than their male counterparts. When funding was made available to all accelerator participants, women entrepreneurs ended up outperforming the men.

One would hope that the accelerators with the best practices for women would also be the ones with stated preferences for women, but that wasn't the case. Many programmes that made special efforts to recruit women may have in fact done their female participants a disservice, by exposing them to a hyper-competitive programme run almost completely by men. When words

change but habits don't in pursuing gender equality, good intentions can have very bad outcomes.

## **Diversity vs. inclusion**

The trap of good intentions was also evident in [a 2016 study](#) finding that minority job applicants took companies' diversity statements at face value, choosing to retain ethnic tells on their CVs that they might otherwise have "whitened". However, researchers concluded that firms that touted diversity were just as biased in selection as the ones that didn't. Candidates with un-"whitened" CVs were half as likely to be chosen for an interview.

Our fascination with diversity – numerical representation of women and minorities – may actually be inhibiting progress toward workplace equality. Of course, diversity is a necessary aspect of equality, but the two are not synonymous. After all, the world is already very diverse – women represent roughly half of humanity, yet sexism is still with us. Achieving true equality will require replacing inherently biased policies and practices with more inclusive ones.

### **Find article at**

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#### **The INSEAD Gender Initiative**

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