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Patrick Saporito

Saint Joseph's University, USA, psaparit@sju.edu

Amanda Elam

Babson College, USA

Candida Brush

Babson College, USA

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PERCEPTIONS OF BANK-FIRM RELATIONSHIP: DOES GENDER SIMILARITY MATTER?

Patrick Saparito, Saint Joseph's University, USA

Amanda Elam, Babson College, USA

Candida Brush, Babson College, USA

ABSTRACT

This study examined how the gender of the entrepreneur and of the bank account manager influences perceptions about the banking relationship. Drawing from social network and status expectations state theories of gendered interaction, we test hypotheses exploring the influence of trust, the bank's knowledge of the firm, satisfaction with credit, and the likelihood of switching banks on the bank-firm relationship. Results show that male-male pairs of entrepreneurs and bankers have the highest levels of trust, satisfaction, knowledge, and the lowest likelihood of switching banks, while female-female pairs showed the opposite results for each measure with mixed pairs in the middle on all accounts. Implications are discussed.

INTRODUCTION

The number of women entrepreneurs is rising rapidly and many are creating substantial businesses. In the US, there are more than 10.1 million women-owned firms comprising 40% of all privately held firms, employing more than 13 million people, and generating \$1.9 trillion in sales as of 2008 (CWBR, 2009 <http://www.nfwbo.org/facts/index.php>). Existing research suggests important average differences in the access to and use of key resources between the male business owners and this growing population of women business owners (Elam, 2008). For certain, the access to and use of credit is a particularly resource for business growth and success. Indeed, while most companies rely on some form of bank financing during their lifetime, growth and sustainability for women entrepreneurs is funded by credit cards, personal savings/investments, and personal and commercial debt with an extremely small percentage drawing on private equity (Brush, Carter, Gatewood, Greene & Hart, 2004).

In fact, the research on gender differences in the access to and use of credit is mixed. Recent studies indicate that women entrepreneurs start ventures with fewer resources, have expectations for slower growth, and are less familiar with credit sources (Carter, Brush, Greene, Gatewood & Hart, 2003). Carter and Rosa (1998) also found that women business owners in the UK were more likely to launch with smaller sums of capital, and less likely to use bank loans, supplier credit and overdrafts. In part, these differences are explained by evidence that women more often launch businesses in more highly competitive, slower growing services and retail while men are more often present in manufacturing, construction and high technology which may be faster growing (Miskin & Rose, 1990; Olsen, 1993). The Global Entrepreneurship Monitor (GEM) women's report further indicates that women more often start businesses within known technology and established markets (Minitti, Allen & Langowitz, 2005). Such factors generally constrain a firm's credit access (Petersen & Rajan, 1994). When controlling for these factors, women-owned firms are no less likely to be turned down for credit or receive credit with less favorable terms (Orser, Riding & Manley, 2006). For instance, Robb and Wolken (2002) find no differences in bank lending practices, approval rates or terms between men and women-owned businesses. Similarly, other research shows that few gender differences exist in terms and conditions of bank financing,

level of service provision and the overall quality of the relationship, (McKechnie, Ennew, & Read, 1998).

Other studies challenge these findings. For instance there is evidence that access to financing may not differ but that women are charged higher interest rates and require higher collateral to meet terms (Coleman, 2000). Additionally, experimental design studies suggest that there are discriminatory behaviors in personal interactions between women business owners and bank managers (Buttner & Rosen, 1992; Fay & Williams, 1993). Hence, even though studies are mixed on whether or not women owners are equally or less likely to obtain bank financing, women are still generally less satisfied with both the business-related and interpersonal aspects of their banking relationships than men owners (Fabowale, Orser & Riding, 1995). Recent evidence from the Center for Women's Business Research supports this point. A survey shows that women business owners are very likely to pursue bank financing to support growth of their businesses, that they choose financial products based on their relationship and experiences with lenders and that their overall satisfaction with banking relationship has improved since 1992 (CWBR, 2009 <http://www.nfwb.org/facts/index.php>). However, these studies also show that women obtaining bank loans or lines of credit must make an average of four applications or attempts. As such, important questions arise as to whether women business owners view their relationships with banks differently than do men (Coleman & Carsky, 1996)?

This study addresses this question. We explore how the gender of the entrepreneur and of the bank manager responsible for the account influences various perceptions about the banking relationship, including trust, bank's knowledge of the firm, satisfaction with credit, and the likelihood of switching banks. We draw from two theoretical perspectives to examine this relationship. Social networking theory suggests that gender homophily will lead to better perceptions of banking relationships between similar pairs in a given institutional setting (McPherson & Smith Lovin, 2001; Kim & Aldrich, 2005; Brashears, 2008). In contrast, status expectations state theory implies that, in the context of male-typed occupations, better perceptions of banking relationships will be found among men, not because of homophily, but because social ideals attribute greater competence to men in male-type jobs (Foschi, 2000; Ridgeway & Correll, 2000; Ridgeway, 2004). We argue that these social type-casting ideals serve as the basis of trust in relationships, especially in new relationships.

PERCEPTUAL FACTORS IN BANK-FIRM RELATIONSHIPS

Both bank and entrepreneur perceptions within bank-firm relationships play a pivotal and central role (Haines, Riding & Thomas, 1994; Holland, 1994; Saporito, Chen & Sapienza, 2004; Uzzi & Lancaster, 2003). Based upon these perceptions entrepreneurs choose to share information or expand business with banks and banks choose to extend credit and other business services to entrepreneurs (Holland, 1994, Saporito et al., 2004; Uzzi & Lancaster, 2003). The formation of these perceptions is complex and is based upon significant interactions between the entrepreneur and bank (Holland, 1994; Uzzi, 1999). While finance scholars have focused on such direct factors as how firms' size, age or industry influences the interest rates on loans (e.g., Petersen & Rajan, 1994), management scholars have focused on how social embeddedness, measured by the length and breadth of the bank-firm relationship, influences perceptual factors such as trust or the likelihood to switch to an alternative bank (e.g., Uzzi, 1999; Saporito et al., 2004). Perceptions about inter-firm relationships are influenced by many factors and gender is one of these important factors (Ely, 1995). Thus, in this paper we examine how gender influences the entrepreneur's perceptions of their banking relationship.

Research investigating bank-small firm relationships identifies several factors of particular importance to entrepreneurs including: trust between firm and bank (Saparito et al., 2004; Uzzi, 1999; Uzzi & Lancaster, 2003), a bank's knowledge about the firm (Haines et al., 1994; Uzzi, 1999), the firm's satisfaction with access to credit (Dunkelberg, Scott, & Cox, 1984; Ennew & Binks, 1993; 1997; Haines, Riding & Thomas, 1991; Riding, Haines & Thomas, 1994; Uzzi, 1999), and small business proclivity to shop for alternate financial institutions (Haines et al., 1991; Riding et al., 1994; Saparito et al., 2004). Each of these factors is highly related to one another. For example, *trust* defined as the intention of one party to accept vulnerability based upon positive expectations of the intentions or behavior of another party (Rousseau, Sitkin, Burt & Camerer, 1998) is associated with greater knowledge transfer between investors and emerging firms (Uzzi & Lancaster, 2003; Yli-Renko, Autio & Sapienza, H. 2001), greater access to debt financing for small- and mid-sized firms (Uzzi, 1999), and reduces small firms' likelihood to shop for and switch to alternative banks (Saparito et al., 2004).

Other research focuses on the central role of *knowledge about firm* in bank-firm relationships. Information on small- and mid-sized firms' situations is generally not publicly available and is unevenly dispersed (Petersen & Rajan, 1994; Uzzi & Lancaster, 2003). Efficient debt markets depend upon a sufficient understanding by investors (e.g., banks) to make informed investment decisions (Diamond, 1991; Uzzi & Lancaster, 2003). Insufficient knowledge and understanding surrounding a loan application increases the lender's perceived risk of the loan, and lenders may decide to restrict a small firm's credit access (Diamond, 1991). Thus, bank knowledge about a firm is presumed to be positively associated with small firm credit access (Petersen & Rajan, 1994; Uzzi & Lancaster, 2003).

Customer satisfaction with credit access refers to satisfaction with the amount of credit generally made available by the bank as compared to the size of the loan request, the terms of attaining credit (e.g., collateral or equity investment requirements, etc.), and interest rate (Ennew & Binks, 1993, 1997; Haines, Riding & Thomas, 1991; Riding, Haines & Thomas, 1994). Adequate access to financial resources is essential to new and small firm growth, and barriers to access may attenuate these companies' success (Coleman, 2000).

Perceptions about trust within the bank-firm relationship, a bank's knowledge about the firm, and satisfaction with credit access are negatively associated with a small firm's likelihood to switch to an alternative bank (Riding et al., 1994; Saparito et al., 2004). A small firm's *likelihood to switch to an alternative bank* refers to the firm's current and future potential to shop for and switch to an alternative financial institution (Riding, Haines & Thomas, 1994). Customer shopping activity has received considerable scholarly interest because durable bank-customer relationships positively impact a bank's profitability (Berlin & Mester, 1998). This profitability arises because banks avoid the costs of replacing customers that have shopped and switched to another bank, customers that are committed a particular bank may be willing to pay small premiums in interest rates and fees, and long-term banking relationships facilitate achieving economies of scope through selling additional financial services and products (Berlin & Mester, 1998). In short, many activities that banks undertake are designed to maintain and expand the economic relationships with existing customers.

As mentioned, while research appears to demonstrate that women- and men-owned are not significantly different in terms of credit access (Robb & Wolken, 2002; Orser, Riding & Manley, 2006), women business owners have less positive perceptions about many factors surrounding their business relationship than men (Fabowale, Orser & Riding, 1995). Consequently, a

simultaneous exploration of genders' influence on these central perceptual attributes of bank-firm seems warranted.

THEORIES OF GENDER INTERACTION

In this study we draw on two sets of theories to investigate the influence of gender on entrepreneur-banker relations. First, we consider social networking theory, in particular the structural concept of homophily. Homophily is one of the most robust findings in social network research has been defined as “the tendency for similar individuals to associate” (Brashears, 2008). In other words, “similarity breeds connection” and results in social ties that not only confer important advantages, or resources, but also result in stronger ties that are more likely endure over time (McPherson & Smith-Lovin, 2001). Of course, while all social networks tend towards homogeneity, not all relationships are the same and some individuals are sought out more than others (Kim & Aldrich, 2005). Indeed, research on gender and homophily suggests that men accumulate more social capital than women in the sense of larger professional networks with more diverse, powerful, and ultimately resourceful ties (Aldrich et al., 1997; Ibarra, 1992; Brashears, 2008; Elam, 2008).

Such findings on the importance of homophily in individual-level interactions have powerful implications for the role that gender might play in connections made between entrepreneurs and bankers. If men have more useful professional networks, then in a strictly structural sense homophily produces certain professional advantages for men relative to women. There is, however, more to the question of how homophily produces gender advantage or disadvantage than simply structural effects. Social status (i.e., the legitimacy or valuation of an individual based on ascribed status characteristics) also tends to confer different rewards, or resources, on women compared to men (Burt, 1998). In this sense, then, homophily in professional relationships produces additional disadvantages—status disadvantages—for women compared to men. On this point, Ibarra (1992) found that men tend to form stronger homophilous ties across multiple networks, while women tend to adopt stronger, denser homophilous ties in personal networks and more instrumental, diverse ties in their professional networks. In a later study, Ibarra (1997) found that high advancement potential female managers tend to have much less homophilous networks than other female and all male managers, suggesting that high performing females may find ways to compensate for both the structural and status effects of homophily on social capital advantages.

Second we consider status expectation state theory, in particular the concept of culturally-defined expectations of competence. Status expectation states refer to the cultural beliefs organized along the lines of social status differences, like gender, that set individual expectations about how the self or others will perform at a given task (Foschi, 2000; Ridgeway & Correll, 2000). An important distinction in this theory is the concept of salience—when gender is salient in the context of a particular task situation, cultural beliefs about gender function as rules of the game (Ridgeway & Correll, 2004). In effect, when gender is salient, “double standards of competence” are applied in pre-judgments of competence (Foschi, 2000).

Research on the double standards of competence applied in professional contexts indicates that women face considerable disadvantages in both prejudgments of expectations and in standards of performance (Foschi, 2000; Ridgeway, 2004). In laboratory studies modeling the hiring process, researchers have consistently found that men tend to be rated, or, selected for hire, more often than women, not withstanding evidence of higher qualifications (Foschi, 2000; Ridgeway, 2004).

Moreover, studies have found that women, especially in newer generations, tend to favor evidence of qualification and ability over external status claims, compared to men (Foschi et al, 1994).

Status expectations state theory is an important, but underutilized, body of theory in gender studies (Chafetz, 1997). Gender scholars have argued that the persistent cultural beliefs linking gender with task-specific abilities constitute a “gender system” – i.e., an institutionalized system of relations organized around distinctions between two genders, resulting in different roles, identities, expectations of competence, performance assessments, and, consequently, the distribution of resources and rewards (Ridgeway & Correll, 2000). Cultural beliefs linking gender and expectations of competence are perpetuated in large part through confirmatory experience of individual actors. Ridgeway and Smith-Lovin (1999) argue that while research on peers with equal status and power show few gender differences in behavior, most gender interactions do not occur on equal footing. In most, professional interactions, men hold higher status positions and women lower status positions, leading to confirmatory experiences of existing beliefs.

The distinction between homophily and status effects has attracted little attention in entrepreneurship studies. One exception is Ruef et al (2003) who found that homophily and ecological constraints work together to produce minority isolation among entrepreneurial founding teams. Typically, however, the application of the concept of homophily in social networking theory takes for granted the status differences between males and females in the context of entrepreneur. In contrast, status expectations state theory makes explicit the possibility that status differences that result from gender-linked expectations of competence will vary with the task set as well as with the gender of the individual studied.

FOUR SETS OF HYPOTHESES

For this study, we develop four sets of hypotheses, comparing predictions of homophily versus status expectation effects on key aspects of entrepreneur-banker relationships. We theorize that both homophily, defined as a similarity in social status, and gender, as a status characteristics linked to culturally-defined expectations of competence, provide a basis of connection and trust in banking relationships. However, as theoretical constructs, each concept constitutes a distinct social process and must be considered separately.

Social networking theory posits that trust and positive perceptions are governed by the homophily mechanism (McPherson & Smith-Lovin, 2001). In other words, individuals will experience the highest levels of trust in relationships, or pairings, with like others. As a result the rankings from a social networking perspective place male-to-male and female-to-female tied for first place in the level of trust and positive perceptions and mixed-pair relationships as tied for second place with a lower level of trust and less positive perceptions.

In contrast, status expectations state theory argues that trust and positive perceptions will most likely occur in relationships, or pairings, where the fit between the diffuse status characteristic of the person being judged (male or female) and the task set, or role, at hand (banker or entrepreneur) follows conventional ideals (Foschi, 2000; Ridgeway, 2004). Both banking and entrepreneurship are typically stereotyped as highly masculine endeavors (Bird & Brush, 2003). As a result the rankings look quite different. We expect to find that male-to-male relationships have the highest ratings of trust and positive perceptions, followed by female-to-male, male-to-female, and finally by female-to-female pairings.

H1a: Small firm owner's trust in the bank will be higher for male-male and female-female pairs, compared to mixed pairs.

H1b: Small firm owner's trust in the bank will be highest for male-male pairs, followed by mixed pairs, and female-female pairs.

H2a: Satisfaction with credit will be higher for male-male and female-female pairs, compared to mixed pairs.

H2b: Satisfaction with credit will be highest for male-male pairs, followed by mixed pairs, and female-female pairs.

H3a: Bank knowledge of firm will be higher for male-male and female-female pairs, compared to mixed pairs.

H3b: Bank knowledge of firm will be highest for male-male pairs, followed by mixed pairs, and female-female pairs.

H4a: Likelihood to switch banks will be lower for male-male and female-female pairs, compared to mixed pairs.

H4b: Likelihood to switch banks will be lowest for male-male pairs, followed by mixed pairs, and female-female pairs.

DATA AND METHODS

This study employed a matched sample design of entrepreneurs and respective bank managers that had responsibility for each firm's business account. In the first phase of data collection, two hundred eighty six banks were approached in Connecticut, Missouri, New Jersey, and Pennsylvania. Twenty-two banks agreed to have surveys distributed to both their small and mid-sized commercial customers and bank managers. We distributed 7,298 surveys to this sample list of bank clients and 1,093 surveys were returned representing a 14.98 percent response. We asked that the survey be completed by either the business owner/operator or the person primarily responsible for interacting with the bank if that was a different person. Since surveys were anonymous, it was not possible to calculate differences between respondents and non-respondents. Late respondents, however, are considered similar to non-respondents (Churchill, 1991), and t-tests comparing early versus late respondents found no significant differences for any firm variables. In the second phase of data collection, each responding firm identified the bank officer primarily responsible for the company's account. Two hundred and sixty-three bank managers were identified and sent surveys, which were kept confidential. Managers returned 217 surveys representing an 82.51 percent response rate. Complete data for the matched sample yielded 696 pairs of entrepreneurs-bank managers.

We used multivariate analysis of covariance (MANCOVA) to test for differences in levels of trust, satisfaction with credit, perceptions of a bank's knowledge about the firm, and likelihood to switch to an alternative bank between female-female, mixed gender, and male-male entrepreneur-bank manager pairs.

Measures

We measured *trust* using Saparito and colleagues (2004) four-item index measure. Using a seven-point scale 1 (very rarely true) to 7 (very often true) small firm customers rated the following items: 1) We feel that the bank would act in a fashion consistent with what we would recommend without prior discussion with us; 2) We can freely share concerns and problems about our company and know that they will respond constructively; 3) We can freely share concerns and problems about our company and know that they will be interested in listening; and 4) We share common business values with the bank ($\alpha = .89$).

We measured *likelihood to switch to an alternative bank* using Saparito and colleagues (2004) five-item measure. Using a seven item scale 1 (very unlikely) to 7 (very likely) the extent to which they were likely within the next year to 1) switch to an alternative bank to service their borrowing needs, 2) switch to an alternative bank for checking and other deposit accounts, 3) move accounts to banks with slightly more attractive interest rates, 4) move accounts to banks with slightly more attractive fees, and 5) shop for banks with more attractive fees and interest rates ($\alpha = .92$).

We measured *customer satisfaction with credit* by a five-item scale. Items were created and adapted from measures used in large national investigations of small business banking in the United States, the United Kingdom, and Canada (e.g., Dunkelberg, et al, 1984; Ennew & Binks, 1997; Haines, et al., 1991). The measure was piloted tested on a sample of small businesses that were clients of a Northeastern U.S. state's small business development center. Using a 7-point scale with 1 (very dissatisfied) to 7 (very satisfied) small firm customers rated the following items: 1) The credit amount that the bank generally makes available when our company makes loan requests; 2) The bank's security and collateral requirements for obtaining a loan; 3) The bank's requirements for personal/company equity invested in the business prior to granting a loan; 4) The bank's financial reporting requirements for granting a loan; and 5) Interest rates charged on loans ($\alpha = .91$).

Drawing upon the literature and previous measures (Binks, Ennew & Reed, 1992; Haines, Riding & Thomas, 1991; Riding, Haines & Thomas, 1994) we created and adapted four items to measure a *bank's knowledge of the firm*. This measure was pilot tested along with the measure for customer satisfaction with credit. Using a seven point scale 1 (very dissatisfied) to 7 (very satisfied) small firms rated: (1) the bank's knowledge of our business; (2) the bank's knowledge of the local market/community; (3) the bank's anticipation of our credit and other financial needs; and (4) The bank's anticipation of our financial needs other than credit ($\alpha = .92$).

Control Variables

We controlled for numerous factors considered to influence the nature of bank-firm relationships (Petersen & Rajan, 1994; Uzzi & Lancaster, 2003). Bank market and organizational variables included: *local market competitiveness*, *bank size* (Berlin & Mester, 1998; Petersen & Rajan, 1994; Uzzi, 1999). Less competitive banking markets are associated with greater credit constraint problems (Berlin & Mester, 1998, Uzzi, 1999). Therefore, the U.S. Federal Reserve Bank's *HHI*, bank concentration index was included as a measure of local bank market competitiveness (Berlin & Mester, 1998; Uzzi, 1999). Since large banks are generally less involved with smaller loans, *bank size* (the natural log of total assets reported in each bank's 1999 annual report) was included (Berlin & Mester, 1998; Petersen & Rajan, 1994).

Important firm specific characteristics related to access to debt credit included: *firm size*, *growth rate*, *firm age* and *industry* (Berlin & Mester, 1998; Petersen & Rajan, 1994, Uzzi, 1999). Smaller firms may be relatively less important to the bank and be in an unfavorable bargaining position (Petersen & Rajan, 1994). Firm size was measured by two factors (number of employees, and sales revenues). The growth rate of sales may signal the health of a firm as well as the potential future business for the bank. Growth rate was measured by asking the firm to indicate the growth rate of the firm's sales over the past five years (less if the firm was younger) using a seven-point scale from 1 = decreasing rapidly to 7 = increasing rapidly). Finally, firm age is positively associated with the likelihood of firm survival and it may be relatively more difficult for young firms to obtain alternative lines of credit at the same or better costs (Petersen & Rajan, 1994). Firm age was the number of years that the firm has been in operation. Using SIC categorization, the *firm's industry* was measured by asking the firm to indicate which industry best described the firm and was coded using dummy variables.

Uzzi (1999) suggested that the length of a banking relationship and the breadth of products used may be seen as proxies for the embeddedness of the relationship. Consequently, relationship-level factors identified as important included: *relationship age* and whether or not it was the firm's *main bank* (Berlin & Mester, 1998; Petersen & Rajan, 1994, Saporito et al. 2004; Uzzi, 1999). Both factors were collected directly from the customer firm. Longer relationships allow both a bank and customer firm time to get to know one another, develop social ties, and exchange information (Petersen & Rajan, 1994; Uzzi, 1999). Relationship age was measured by the number of years the customer had a business account with the bank. Finally, whether or not a particular bank is a firm's primary banking institution can influence the willingness of a bank to extend additional credit (Uzzi, 1999). Therefore, main bank was measured using a dummy variable (1 indicating if the bank was the firm's primary bank and otherwise 0).

RESULTS AND DISCUSSION

The correlations, means, and standard deviations appear in Table 1. As expected trust, bank knowledge about a firm, satisfaction with credit access all show large and highly significant positive correlations with one another (each at $p < .01$). Also, as expected trust, bank knowledge about a firm, and satisfaction with credit access show large and highly significant negative correlations with likelihood to switch to an alternative bank (each at $p < .01$).

Because each of these variables is highly correlated with one another it is appropriate to simultaneously test for differences using MANCOVA instead of separate ANCOVA analyses for each of the four dependent variables (Hair, Anderson, Tatham & Black, 1995). Our hypotheses suggested two different orderings for the gender pairings—the homophily argument predicts that homophilous pairs will produce most favorable scores on test factors, while status expectations argument suggests that male-male pairs will reflect best scores, followed by mixed pairs and female-female pairs. Statistical results support the assertion that gender pairings do influence the dependent variables (Wilks Lambda $\lambda = .97$, $F_{10, 1336} = 2.23$, $p < .01$). Looking more closely we see in Table 2 that female-female pairs show the lowest levels of small firm owners' trust in the bank, mixed pairs and intermediate level of small firm owners' trust in the bank, and male-male small firm owners' the greatest trust in the bank ($F = 4.79$, $p < .01$). As indicated in Table 3, this pattern of results suggests that Hypothesis 1a (homophily argument for differences in trust) is not supported, but Hypothesis 1b (status expectations state argument for differences in trust) is supported.

Hypothesis 2a proposed a homophily argument for differences in satisfaction with credit access, while Hypothesis 2b proposed that differences in levels of satisfaction with credit access would vary according status expectations state theory. As is shown in Table 2, female-female pairs show the lowest levels of satisfaction with credit access, mixed pairs and intermediate level of satisfaction with credit access, and male-male small firm owners' the most satisfaction with credit access ($F = 3.45, p < .05$). Again, this pattern of results suggests that Hypothesis 2a (homophily argument for differences in satisfaction with credit access) is not supported, but Hypothesis 2b (status expectations state argument for differences in trust) is supported.

Hypothesis 3a proposed a homophily argument for differences a small firm owners' perceptions about a bank's knowledge about the firm, while Hypothesis 2b proposed that differences in levels of a small firm owners' perceptions about a bank's knowledge about the firm would vary according status expectations state theory. Again, results in Table 2 show that female-female pairs have the lowest levels of small firm owners' perceptions about a bank's knowledge, mixed pairs and intermediate level of small firm owners' perceptions about a bank's knowledge, and male-male small firm owners' the highest small firm owners' perceptions about a bank's knowledge ($F = 4.01, p < .01$). Again, this pattern of results suggests that Hypothesis 3a (homophily argument for differences in satisfaction with credit access) is not supported, but Hypothesis 3b (status expectations state argument for differences in trust) is supported.

Finally, hypothesis 4a proposed a homophily argument for differences a small firm owners' likelihood to switch to an alternative bank, while Hypothesis 4b proposed that differences in a small firm owners' likelihood to switch to an alternative bank would vary according status expectations state theory (See Table 2). The differences between means for likelihood to switch to an alternative bank are not significant ($F = 0.14, n.s.$). Thus, neither hypothesis 4a nor 4b are supported.

CONCLUSIONS

This study examined how the gender of the entrepreneur and of the bank account manager influences perceptions about the banking relationship. We drew from social network and status expectations state theories of gendered interaction, and tested hypotheses exploring the influence of trust, the bank's knowledge of the firm, satisfaction with credit, and the likelihood of switching banks on the bank-firm relationship. Our findings, summarized in Table 3, offer strong support for a status expectations state perspective, with one important caveat. Male-to-male pairings did indeed show the highest levels of trust, satisfaction with service and credit, feel the bank-firm relationship facilitates their firm's growth most, and are the least likely to switch to an alternative bank. In contrast, we found that the female-female pairs demonstrate the lowest levels of trust, satisfaction with service and credit, feel the bank-firm relationship constrains their firm's growth most, and are the most likely to switch to an alternative bank. Mixed gender pairs exhibit intermediate levels of all of these variables.

In conclusion, we find that homophily does not fully explain differences in perceptions of the bank-firm relationship. Instead, as indicated by status expectations state theory, the gender of both the entrepreneur and the bank manager may be pertinent for explaining perceptions in the bank-firm relationship. However, neither the homophily nor the status expectations state theories proved useful for predicting different likelihoods in bank switching, suggesting that other factors may be at play here.

There are several areas for future research. As noted earlier, banking and entrepreneurship were traditionally male dominated occupations (Bird & Brush, 2003), and therefore men in these roles might more typically be accorded high status. When men are not in these roles, it raises a question as to whether the expectations for the role and behavior of the entrepreneur and/or the banker might influence perceived satisfaction with the relationship? An alternative is consideration of the nature of the engagement. Recent work suggests that women perform differently in competitive environments than their male counterparts (Gneezy, et al 2003). Arguably, financing negotiations could be considered competitive in some respects and women may be less better prepared and/or less confident in these relationships which could lead to lower satisfaction. Overall, our results suggest that the role of gender in entrepreneur-banker relationships is more complex than previous results show.

CONTACT: Patrick Saporito; psaparit@sju.edu; (T): 610.660.1157; (F): 610.660.1229; Saint Joseph's University, Philadelphia, PA 19131.

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Table 1: Correlations, Means and Standard Deviations for Variables in the Study

	1	2	3	4	5	6	7	8	9	10	11	12
1. HHI												
2. Bank Size	-.02											
3. Firm Employees	.00	.11**										
4. Firm Sales	-.05	.14**	.50**									
5. Firm Growth	-.02	.06	.12**	.20**								
6. Firm Age	.03	-.03	.23**	.20**	-.12**							
7. Relationship Age	-.07*	-.12**	.03	-.03	-.16**	.35**						
8. Main Bank	-.05	.08*	-.06	-.06	-.03	.01	.15**					
9. Relational Trust	.03	-.02	.05	.09**	.06	.03	-.02	.14**				
10. Bank Knowledge	.04	-.04	.08*	.10**	.04	.00	-.01	.10**	.73**			
11. Customer Satisfaction	.02	.00	.03	.08*	.04	-.03	.00	.10**	.65**	.69**		
12. Likelihood To Switch	.04	.03	.02	-.03	-.02	.02	.01	-.24**	-.53**	-.53**	-.52**	
Mean	1567.44	855.41	19.48	3.32	5.09	21.13	9.65	.86	21.57	21.02	21.61	14.29
Standard deviation	656.61	1636.08	41.11	1.85	1.18	21.57	11.03	.34	5.19	5.45	5.51	8.33

Table 2: Differences in Means by Entrepreneur-Bank Manager Gender ^a

Entrepreneur-Bank Manger Gender	Trust	Satisfaction with Credit	Likelihood to Switch	Bank Knowledge of Firm
Female-Female ^b (n = 87)	4.79 (1.22)	20.87 (5.68)	10.95 (7.41)	20.93 (5.12)
Male-Female or Female-Male ^b (n = 305)	4.82 (1.14)	21.68 (5.61)	11.22 (6.64)	21.31 (5.27)
Male-Male ^b (n = 304)	4.89 (1.22)	22.11 (5.52)	11.44 (6.62)	21.77 (5.32)
Total (n =696)	4.84 (1.18)	21.77 (5.59)	11.28 (6.72)	21.46 (5.29)

^a The standard deviation is provided in parentheses beside each cell mean.

^b Means are adjusted for covariates.

Table 3: Significant Results by Hypotheses

	DV	Homophily (a)	Status Expectations (b)
H1	Trust	no	yes
H2	Credit Satisfaction	no	yes
H3	Firm Knowledge	no	yes
H4	Bank Switching	no	no