GENDER OF OWNERSHIP AND THE GROWTH OF YOUNG ENTERPRISES (SUMMARY)

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SUMMARY

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Principal Topic

This paper reports on an analysis of the extent to which gender of ownership relates to the growth performance of new firms. Specifically, compares growth between 2004 and 2008, by ownership gender, young firms, those that had been founded between 2000 and 2004.

Method

This study examines the 2004 to 2008 performance of 2,918 firms founded between 2000 and 2004. The analysis relies on data from a 2004 baseline survey of these firms and subsequent performance measures drawn from the firms’ income tax files through 2008. Growth measures comprised 2004 to 2008 differences in: annual revenues; number of employees; salary mass; and after-tax income. To examine the influence of gender of the ownership teams, multivariate models of the growth process were estimated for which control variables included age of firm, age and experience of the primary owner, sector, financing history, owner’s growth aspirations, and whether or not the primary owner was a recent immigrant. Gender composition of the ownership was measured by of binary variables, one set equal to 1 if majority control of the firm rested with women (20.1 percent of cases), 0 otherwise, and a second binary variable equal to 1 if ownership of the firm was shared equally (17.4 percent of cases), 0 otherwise.

Results and Implications

After controlling for the factors as above, women-owned young firms did not grow to the same extent as those jointly owned by men and women, nor as much as those for which men were the majority owners. While women-owned firms may be as well managed as those owned by men (Watson, 2002), they do no grow as much or as fast, thereby lacking scale and the associated efficiencies. Lack of scale may also explain why women-owned firms are less likely to export (Orser, 2007).

That growth did correlate with owners’ experience suggests that women’s relative lack of experience might be addressed through training and education. Financing was also a significant antecedent of growth; hence the need for financing as a key ingredient of growth is confirmed (although previous work does not find gender-differing access to financial capital.

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