CHARACTERIZING THE FEMALE ENTREPRENEUR: COMPARING BEHAVIOR IN A MARKET ENTRY EXPERIMENT WITH OTHER GROUPS OF INDIVIDUALS (INTERACTIVE PAPER)

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INTERACTIVE PAPER

CHARACTERIZING THE FEMALE ENTREPRENEUR:
COMPARING BEHAVIOR IN A MARKET ENTRY EXPERIMENT
WITH OTHER GROUPS OF INDIVIDUALS

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Principal Topic

We investigate the strategic decision behavior of female entrepreneurs in a market entry experiment with prior gain and loss experiences and compare it with the behavior of male entrepreneurs as well as female and male students. As a crucial part of entrepreneurial behavior, strategic decision behavior is analyzed in order to further understand why women run and own fewer businesses than men.

Method

The framework of simultaneous market entry is well suited for studying decision making in an entrepreneurial context and received considerable attention in experimental economics. In this game, participants have to decide whether or not to enter a competitive experimental market with limited capacity without being able to observe the decisions of their opponents. In our experiment, participants play several rounds against two opponents knowing that the market size does only allow for a maximum of two entrants. If all three enter the market they will all suffer a loss. Hence, there is a need to implicitly coordinate decisions, where the only available information about the opponents is their prior gain or loss experience. Real monetary payoffs assure incentive compatibility of the decision scenario. Entrepreneurs and students make their decisions in separate mixed gender groups.

Results and Implications

We find that all participants enter the experimental market significantly more often after having incurred a loss prior to the market entry game than after having experienced a prior gain. This result is inline with the predictions of Kahneman and Tversky’s prospect theory and previous findings. Entrepreneurs enter on average more often than students. Furthermore we find that female entrepreneurs enter the experimental market less frequently than male entrepreneurs and behave very similar to female students in the laboratory. Male entrepreneurs and male students on average have a tendency to over-enter the market. A replication of this study in pure female groups – just underway – will clarify whether this result is connected to women’s general tendency to dislike competition with men.

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