INCUBATION FOR ALL? BUSINESS INCUBATION AND GENDER DIFFERENCES IN NEW FIRM PERFORMANCE (SUMMARY)

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SUMMARY

INCUBATION FOR ALL? BUSINESS INCUBATION AND GENDER DIFFERENCES IN NEW FIRM PERFORMANCE

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Principal Topic

Historically, the rate of women participating in new venture creation has been disproportionately less than men. Not only are women less involved in entrepreneurship, their businesses tend to underperform. There is evidence that women-owned businesses grow at a lower rate, employ fewer people, are less profitable, and fail more often than those owned by men (e.g. Fairlie & Robb, 2008).

Noting that business incubation receives substantial attention in the entrepreneurship literature as programs that help entrepreneurs overcome business start-up risks, this paper examines to what extent incubation effects differ between women and men founders. Specifically, we test whether incubators help women entrepreneurs overcome many of the traditional barriers they face. In doing so, we build upon studies that find that women react differently than men in terms of access to support systems and network opportunities (e.g. DeBruin et al., 2007). Incubators offer these types of services and thus provide a relevant environment for testing gender-based differences.

Method

We use a unique longitudinal dataset of approximately 950 business incubators, 18,909 incubated businesses, and a matched comparison group of 28,600 non-incubated businesses across the United States. We compared sales growth and employment growth differences between 1,143 women-owned incubated businesses with women-owned non-incubated peers and men owned incubated firms. We estimate performance outcomes using the Arellano-Bond system GMM estimator, which addresses concerns with panel-specific autocorrelation, heteroskedasticity and endogeneity. Controls for size, firm age, and economic trends were also included.

Results and Implications

Our research has a number of important results that offer important new avenues for research. Firstly, when compared to women-owned businesses, women-owned incubated firms have better performance. Their sales growth and employment growth levels are approximately 4% higher than their non-incubated women-owned peers. Furthermore, we also find evidence that incubation generates stronger performance for women-owned businesses in comparison to men-owned incubated businesses. While in incubation, women-owned businesses experience sales growth and employment growth levels that are 3.5% and 6% higher than men-owned incubated businesses. These findings indicate that incubation programs help women-owned businesses overcome historical performance gaps. Further, it suggests more research is needed focusing on understanding the exact causal relationship that enables women to overcome historical inequalities in performance.

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