GROWTH-BASED PREFERENCES OF FEMALE ENTREPRENEURS FOR VENTURE FINANCING (INTERACTIVE PAPER)

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Principal Topic
Firms started by female entrepreneurs are smaller in terms of financial capital than firms started by male entrepreneurs (Minniti, 2010). Traditional discourse on this gender gap focuses on financial capital constraints of female entrepreneurs which are often based on parochial stereotypes (Freidan, 1995) or lending discrimination (Fairlie and Robb, 2009). This study focuses on preferences. In particular, I examine the importance of exit strategy (continuation, harvest or liquidation) on the preferences of female entrepreneurs for equity and debt capitalization that is accessible from alternative funding sources (Wennberg, Wiklund, DeTienne and Cardon, 2010; De Bruin, Brush & Welter, 2007; cf. Fairlie and Robb, 2009). Exit strategy matters because as Morris, et al., (2006: 221) suggest: “growth is a deliberate choice” and “women have a clear sense of the costs and benefits of growth and make careful trade-off decisions.” Morris et al further suggest these trade-off decisions surrounding growth preferences have not been extensively investigated (Morris, Miyasaki, Watters and Coombes, 2006).

Method
The question asked in this paper is: Do the exit strategies of female entrepreneurs influence their preferences for start-up financing? The empirical method is a conjoint analysis of the individual preferences of female respondents who are in various stages of the entrepreneurial process. The model proposes that preference can play a role in the under-capitalization of female owned ventures as a trade-off to obtaining to preferred exit strategies. The conjoint analysis is based on ratings of venture financing profiles, each consisting of 4 sources of venture financing (venture capital, owner equity, bank debt, friends & family) varied across 4 capitalization levels (high, moderate, low, none). The utility of different financing sources are calculated relative to the global preferences of the female entrepreneurs and determinations. All participants in the study are surveyed about their exit strategy and demographics.

Results and Implications
Understanding how the exit strategies of female entrepreneurs influence their preferences for early stage venture financing is a valuable contribution to the literature examining gender gaps in the startup, performance and survival of entrepreneurial ventures. Tentative analyses suggest that the preferences of female entrepreneurs are clustered in such a manner to suggest that exit strategies are of importance to the staging of early venture financing.

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