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WOMEN OF BUSINESS OR THE BUSINESS OF WOMEN: PROJECTING DOLLAR APPEAL (SUMMARY)

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Principal Topic

It is well documented that women-led businesses continue to experience difficulties in the acquisition of private equity capital. The majority of studies have investigated the role of gender of the entrepreneur, however, disparity in funding of women-owned to men-owned businesses may not only be limited merely to gender of the entrepreneur, but also to the gender of the “market” that the business is in, whether led by a woman or not. The gender of the market may lead to incongruence in gender salience for investors, given the paucity of women investors, at both at the VC and angel investor level. In this study, we assess the type of business – if “female” markets receive the same level of early-stage funding interest as “male” markets. To illustrate this, we look no further than Sarah Blakely and her company Spanx, a women’s panty hose/body shaper manufacturer which is now a billion dollar company and never received venture capital investment, but we wondered and sought to determine, would it have?

Method

We used an experimental protocol with angel investor participants to evaluate hypothetical investment opportunities. We created hypothetical ventures, and used identical information for the businesses to act as control measures for metrics such as current revenue and amount of capital sought. After testing for gender salience, we constructed experimental protocols and varied our fields of interest, the name of the entrepreneur to indicate gender (“Steve” or “Sarah”) and the market for the venture (a “male” market and a “female” market). We used mixed gender management teams and neutral markets for controls and varied the companies accordingly for each angel investor participant.

Results and Implications

This study offers an empirical snapshot of gender salience in terms of access to capital as female markets were less likely to be considered by investors than male markets, even in arenas where women create more businesses. This is of greater importance than the observed sex of the entrepreneur. Our study provides a discussion of why differences occur in private investments, given the gender composition of the majority of early-stage investors, and the resulting bias in analysis of investment opportunities.

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