CHALLENGING THE FEMALE UNDERPERFORMANCE HYPOTHESIS (SUMMARY)

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Principal Topic

The question of whether female-owned firms underperform male-owned firms has triggered much research and discussion. Klapper and Parker’s (2011) review concluded that the majority of prior research suggests that female-owned firms underperform relative to male-owned firms. However, using performance measures that control for size and risk (and after controlling for demographic differences such as industry, experience and hours worked) Robb and Watson (2012) found no gender performance difference in their sample of newly established U.S. firms. The aim of this study, therefore, is to replicate Robb and Watson’s (2012) study to see if their findings can be generalized to another geographical location, Australia.

Method

We test the female underperformance hypothesis using data from the CAUSEE project, a panel study which follows young firms over four years. We use three outcome (performance) variables: survival rates, return on assets and the Sharpe (1975) ratio.

Results and Implications

Consistent with the findings reported by Robb and Watson (2012) for new ventures in the U.S., our findings indicate that female-owned new ventures in Australia do not under-perform their male counterparts in terms of either closure rates, ROA, or the Sharpe (1975) ratio. We believe our replication of the Robb and Watson (2012) study in a different geographical setting significantly increases the confidence that can be attached to both sets of results and should further help to dispel the female underperformance myth; which if left unchallenged could result in inappropriate policy decisions and, more importantly, could discourage women from establishing new ventures.

A key implication of our findings (for both theory and practice) is that future research might be better served focusing on those factors that facilitate (or inhibit) the success of newly established firms, irrespective of the gender of their owners. As noted by Ahl (2006, p. 604), the results of much previous research suggest that the “[d]ifferences within each sex [are] much larger than the average differences, if any, between the sexes.”

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