

# Are there gender differences among entrepreneurs?

Insights on the characteristics and gender differences of business owners.

BMO Wealth Institute provides insights and strategies around wealth planning and financial decisions to better prepare you for a confident financial future.



For more insights and information, visit  
[bmogamviewpoints.com](http://bmogamviewpoints.com)

Entrepreneurs drive the economy by creating products, services and – most importantly – jobs. Self-employment isn't for the faint of heart, but the nature of those who decide to go it alone may surprise you.

Popular belief loves to characterize entrepreneurs as “Type A” personalities who are competitive, outgoing, impatient, aggressive, careless risk-takers – and predominantly male. And women are perceived as mild-mannered, nurturing business owners who subtly influence the world around them. Over time, these biases have translated into a misconception that female entrepreneurs are risk-averse and unwilling to make bold decisions that would enhance the growth of their businesses. If this were true, such reticence could impede business growth and innovation, and even affect the willingness of financial institutions to invest in their businesses.

More and more Americans are considering self-employment – particularly since the Great Recession of 2007–2009, when many jobs became vulnerable to downsizing. In fact, the BMO Wealth Institute Report titled “[The Life of an Entrepreneur](#)” showed that entrepreneurship is on the rise among a wide range of demographics, including new graduates concerned that their specialized skill sets will be underused in traditional workplaces and those in pre-retirement looking to keep sharp and social during their retirement years.<sup>1</sup>

Research recently commissioned by BMO Wealth Institute found many similarities between male and female entrepreneurs, while some differences challenged more than a few misconceptions.<sup>2</sup> This study, conducted by Carleton University researchers in conjunction with The Beacon Agency, interviewed 100 entrepreneurs of both genders on topics such as their motivation to open a business, their risk-taking behavior and how their business growth was funded. BMO Wealth Institute followed up this research with a survey of 1,000 entrepreneurs on some of the same metrics to improve their understanding of entrepreneurs and to learn how best to serve them.<sup>3</sup>

Entrepreneurship is on the rise.

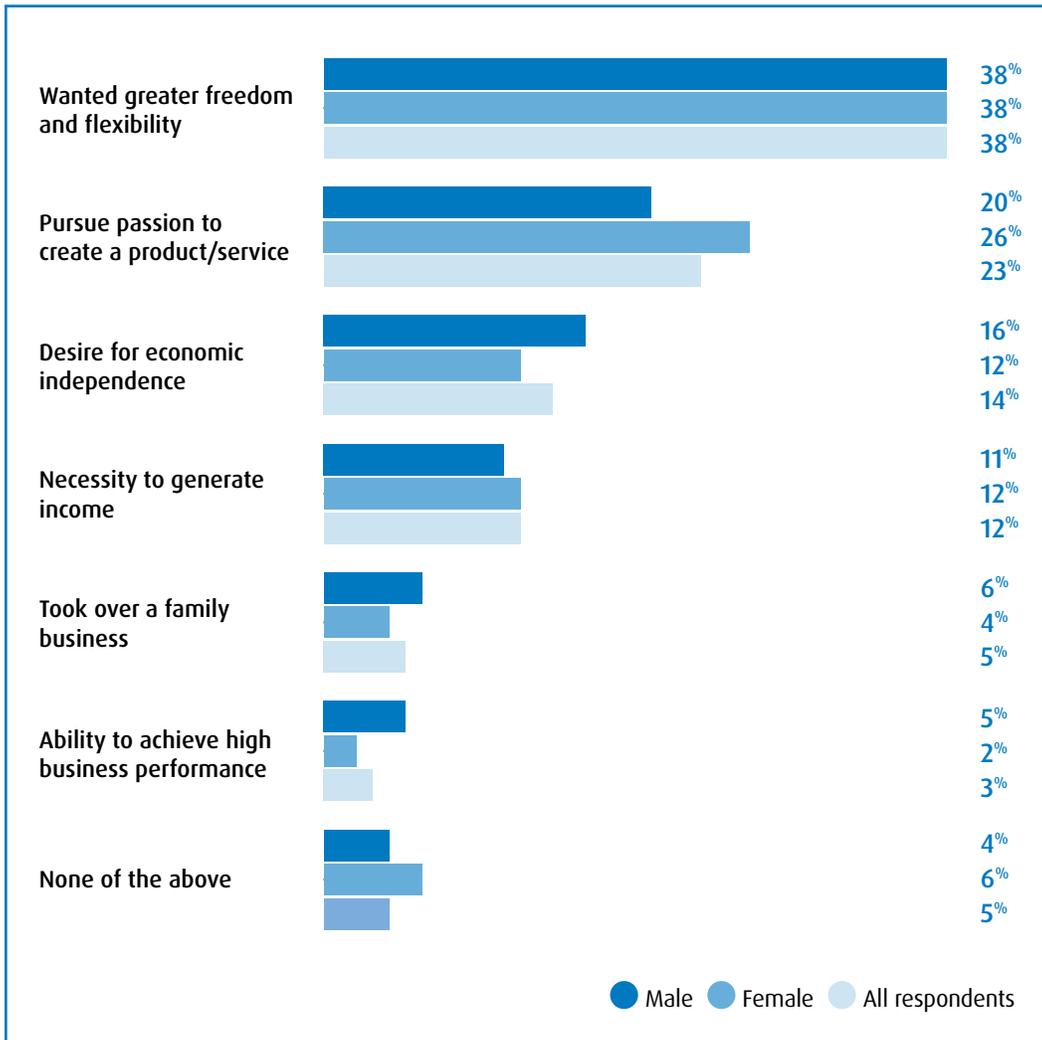
## Common characteristics of male and female entrepreneurs

### Motivation

Millions of Americans find passion in their work as employees, but many feel the need or desire to pursue self-employment. Such entrepreneurs are motivated by a variety of factors, including a love of their work, a desire for independence and a need to produce income.<sup>2</sup>

When asked about their motivation in starting a business, male and female entrepreneurs scored similarly on all responses. An overwhelming number of entrepreneurs of both genders were prompted to open a business in order to pursue greater freedom and flexibility<sup>3</sup>. The only minor differences were found in the passionate pursuit to provide products and services (favoring female entrepreneurs) and the desire for economic independence (favoring male entrepreneurs).<sup>3</sup>

Main reason for becoming a small business owner



Source: BMO Wealth Institute survey by Validatell Technologies Inc., May 2016.

Specifically, this desire for economic independence is consistent with findings previously reported by the BMO Wealth Institute Report entitled “[Financial concerns of women](#)”<sup>4</sup> In that 2015 report, affluent and successful women were found to be concerned or fearful of running out of money in old age – the so-called bag-lady syndrome. With longer lifespans, the significant costs of child care, and continuing wage disparities, it is not surprising that women are increasingly drawn to self-employment.

**Greater freedom and flexibility** the main reason for becoming a business owner.

## Confidence

If entrepreneurs of both genders are similarly motivated, is there a difference in their self-efficacy? This is the belief in one's own abilities. According to the Carleton study, male and female entrepreneurs scored similarly in their confidence to succeed with their business, and furthermore women reported that their confidence in their abilities increased with experience and business success.<sup>2</sup> These results were echoed by the BMO survey, which found that 66% of men and 77% of women surveyed felt "very confident" or "somewhat confident" in making risk-related business decisions. It would therefore appear that the assertion that women are risk-averse when it comes to business decisions is not supported by either study.

Entrepreneurs of both genders showed a correlation between their motivation to open a business and the likelihood that they would make risk-related decisions. According to the research, entrepreneurs who are motivated by interest, confidence and a desire for independence are more likely to make risk-related decisions than those who start a business because of a need for income.<sup>2</sup> Perhaps then, motivation is the main predictor for risk-aversion, not gender. And maybe women entrepreneurs are not "risk-averse" but rather "risk-aware" – an issue that will be revisited later in this report.

## They are all entrepreneurs but they are not all the same

Surely, there are some differences between male and female entrepreneurs. The research and survey results confirmed some differences but they also showed some interesting insights. A number of small but statistically significant differences among male and female entrepreneurs were found in the types of businesses that they established, their self-reported measures of success, their risk-taking behavior and how their business growth was funded.

### Gender and the type of business conducted

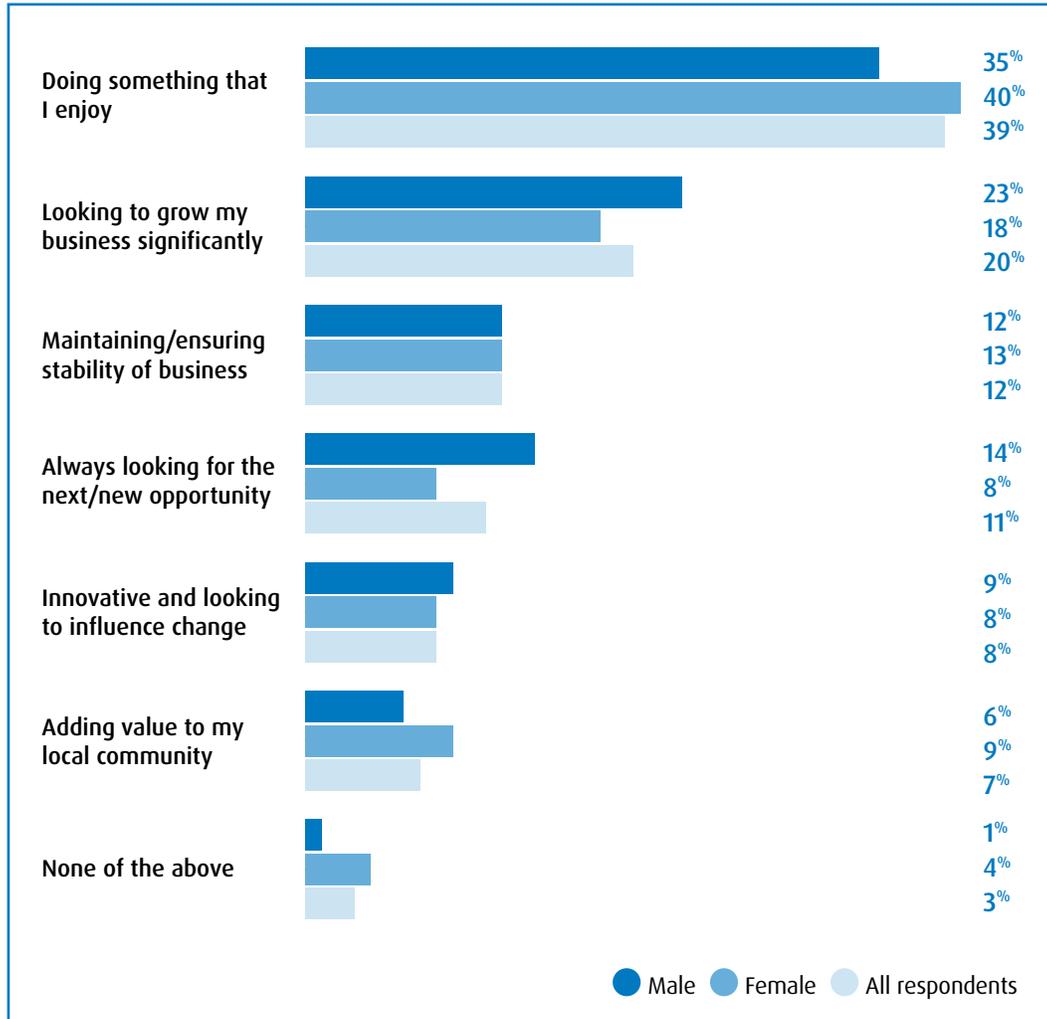
According to the Carleton research, women tend to open businesses in service industries (accommodations and food service, health care and social assistance, and retail trade) while men tend to open businesses in export-oriented sectors (knowledge-based and manufacturing).<sup>2</sup> Women also tend to focus on long-term relationship building and design their businesses to grow and adapt over time.<sup>2</sup> In contrast, male-dominated enterprises have a propensity for rapid growth in preparation for the future sale of the business.<sup>2</sup>

These results give pause to traditional lending philosophies that value rapid growth, sale and reinvestment over long-term sustainability. It is as if traditional lending practices treat risk as an objective rather than a means to an end. Focusing on year-on-year growth, balance sheets and operating expenses would therefore seem like metrics that are more likely to favor male entrepreneurs over their female counterparts. There is a concern that businesses that focus on other quantifiable qualities such as goodwill and retained earnings – components of a business that sustain it through challenging times – might not get the attention they deserve by traditional lending practices.

The majority of men and women are **confident in making risk-related business decisions.**

One third of small business owners describe themselves as **doing something they enjoy.**

### How small business owners describe themselves

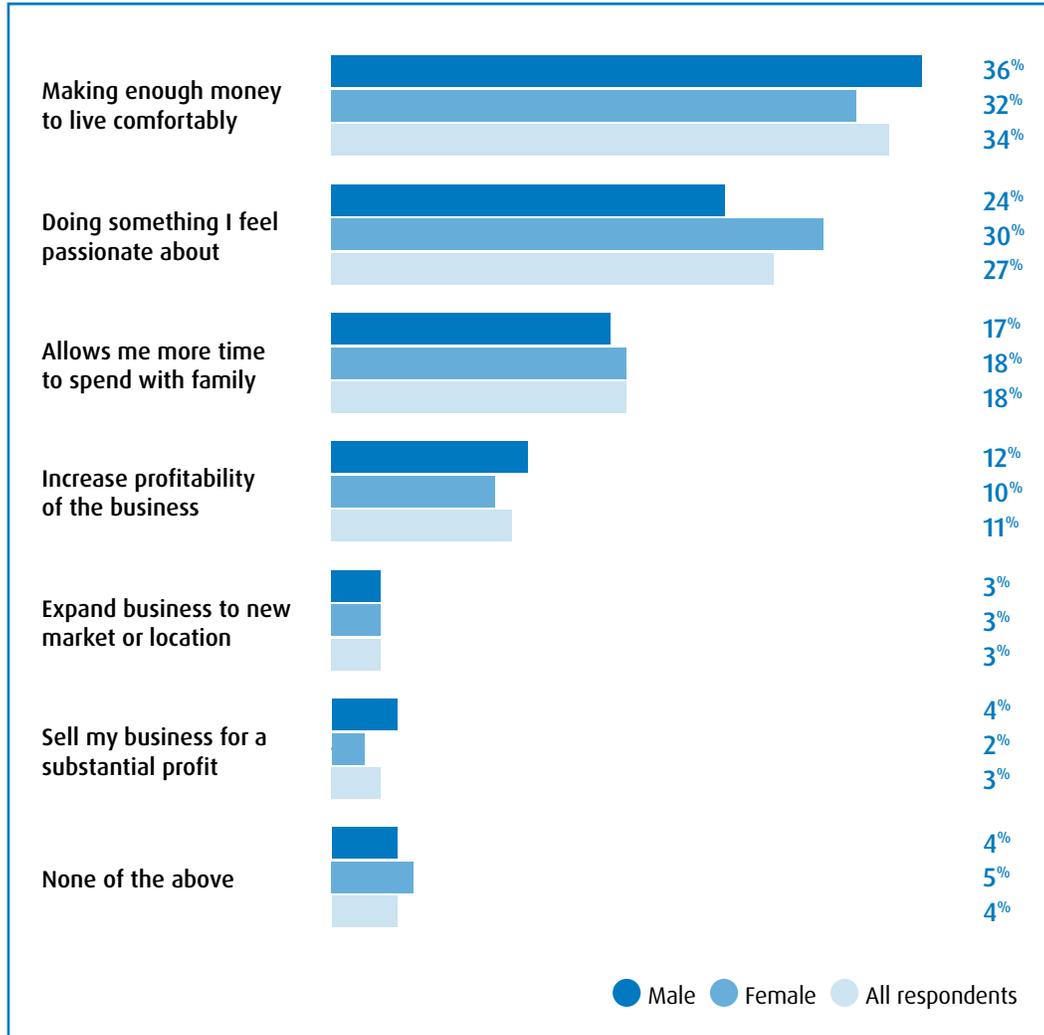


Source: BMO Wealth Institute survey by Validatell Technologies Inc., May 2016.

### Gender and the measurement of success

Male and female entrepreneurs appear to measure success differently. Men appear to measure success on their earnings alone, while women tend to consider a combination of their earnings and their ability to attend to non-work-related interests and obligations.<sup>2</sup>

## How small business owners define success in business



Source: BMO Wealth Institute survey by Validatell Technologies Inc., May 2016.

Research from the BMO Wealth Institute Report [“Financial concerns of women”](#) identified the “caregiver burden” – the responsibility for the care of children and elderly parents – as a primarily female concern. Interestingly, the Carleton authors cite a study that illustrates that “an increasing number of male entrepreneurs are deliberately limiting the growth of their businesses to allow themselves time to pursue interests beyond the office.”<sup>5</sup> In fact, the BMO survey found a slight difference between the numbers of women who define business success as having more time with family and men who responded the same way.<sup>3</sup> The same survey question found no significant difference between the genders with respect to valuing their business on economic terms.<sup>3</sup> With women increasingly reporting themselves as being motivated by earnings<sup>6</sup> and men seeking more balanced lives outside of work, perhaps there will be further convergence in this area over time.

**Making enough money to live comfortably, and doing something I feel passionate about;** are mainly defined as success in business for small business owners.

## Revisiting gender differences in risk-related behaviors

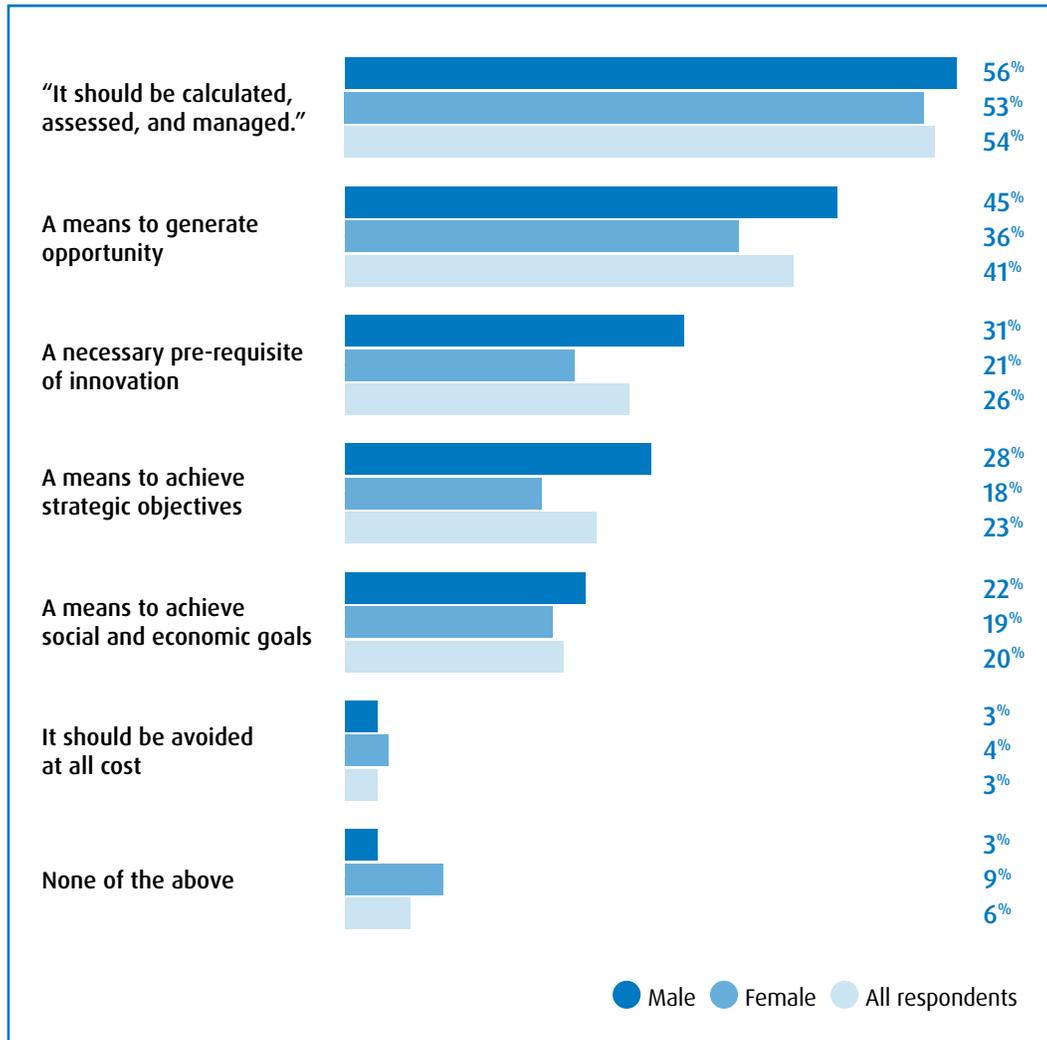
Earlier, it was suggested there was statistical evidence of a correlation between an entrepreneur's motivation for opening a business and their comfort with risk-related decision making. Should one therefore assume that self-employed men and women exhibit the same risk-taking behavior? Not exactly. The Carleton research found that while some entrepreneurs of both genders start their businesses with a measure of confidence in their ability to make risk-related decisions, a significant number of women reported that they became more confident, less fearful of failure, and consequently found it easier to make decisions related to risk.<sup>2</sup> A number of women entrepreneurs' reported they are or were in a position to make risk-related decisions because they grew up in an entrepreneurial family, had a supportive family to fall back on or qualifications to take up jobs in case of business failure, or did not have a lot to lose at that point in their life.<sup>2</sup>

Men, on the other hand, see risk-taking as a means to generate sustainable income for their families.<sup>2</sup> Perhaps the video-game makers at Atari said it best in their 1982 advertisement, using the phrase, "the best way to predict the future is to create it".<sup>7,8</sup> In other words, the Carleton study suggests that women prefer to make risk-related decisions necessary to advance their business interests, while men see risk-related decisions as a means to find financial security. This finding was supported by the BMO survey which found several gender-related discrepancies in the perception of business risks – the most significant of which related to men's contention that risk is a means to generate opportunity.<sup>3</sup>

Bearing this in mind, it is interesting to note that while entrepreneurs of both genders may look upon business risks differently, none appear to embody the "cowboy" mentality that is sometimes associated with entrepreneurs. In fact, the survey conducted by BMO found tremendous consistency among entrepreneurs in their belief that business risks should be calculated, assessed, and managed.

Both genders equally start their businesses with a measure of **confidence in their ability to make risk-related decisions.**

Small business owners' perception of risk in regards to their business.



**Risk should be calculated, assessed, and managed** according to small business owners.

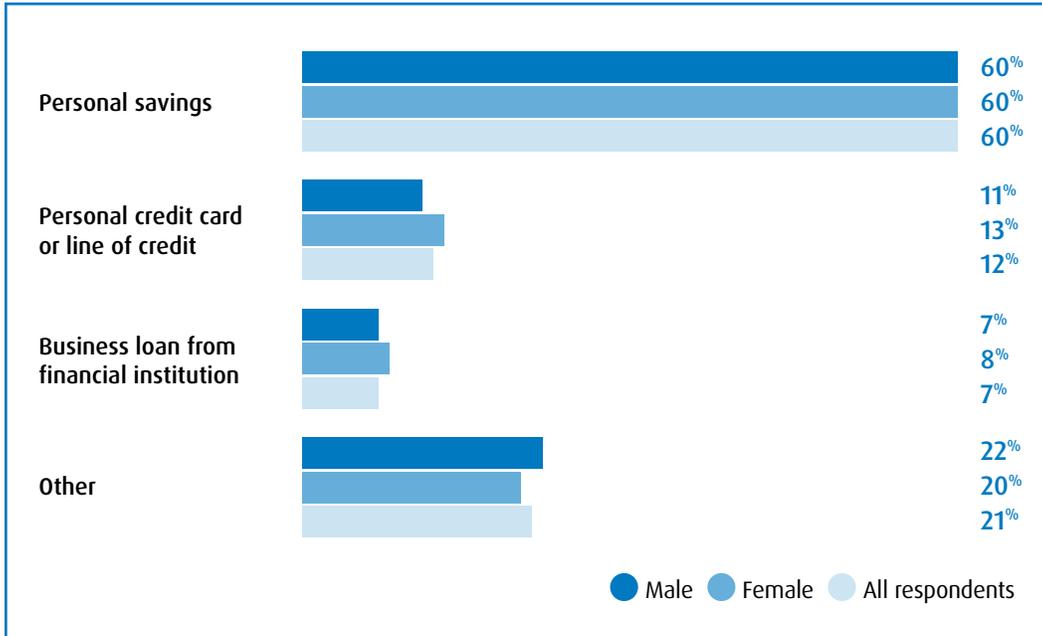
Source: BMO Wealth Institute survey by Validatelt Technologies Inc., May 2016.

Furthermore, in a study referenced in the Carleton research, women were found to be less likely to take on financial risks that jeopardized the business's growth and preferred to collect information in order to make calculated business risks.<sup>9</sup> Few would argue against informed decision-making. Perhaps this is an opportunity for male entrepreneurs to benefit from the best practices of their female counterparts.

**Gender and funding the business**

One particularly dramatic finding in the Carleton research relates to the obstacle women entrepreneurs face in acquiring loans from banks. Women reported that they were not satisfied with their experiences with financial institutions. Particularly the lack of access to capital prevented many women from growing their businesses or slowed the process of growth because they had to self-finance.<sup>2</sup> According to the BMO study the majority of men and women will typically use personal savings to drive their business from inception to sale.<sup>3</sup>

Primary source of funds used to start or grow business



Source: BMO Wealth Institute survey by ValidateIt Technologies Inc., May 2016.

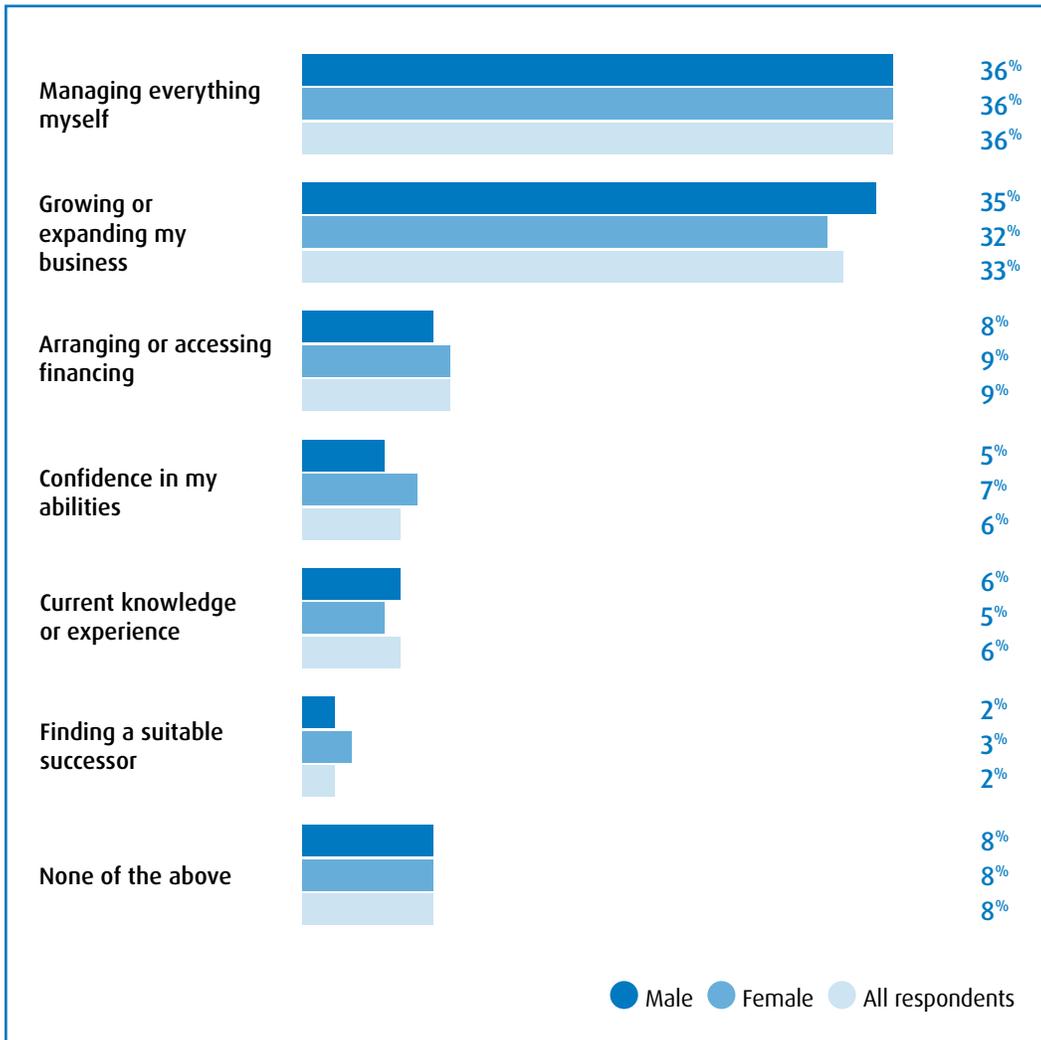
Often women start a business with their own resources, and then use personal credit cards and lines of credit, personal loans from friends and family, funds from government grants, and/or organizations. While there may be multiple reasons for arranging funds themselves, such as lack of financial literacy, a dislike towards debt, it is the fear of being turned down by the bank that is perhaps at the pinnacle of these reasons. As mentioned earlier, female entrepreneurs reported the lending attitudes of banks towards women entrepreneurs' businesses as an impediment to the start-up and/or growth of their business. In their view financial institutions fail to understand the relationship oriented approach women would prefer. Instead, banks and financial institutions are more concerned about security for their loans and projected earnings.<sup>2</sup>

Banks and financial institutions should take notice and consider the growing body of evidence that illustrates women entrepreneurs as [A Force to Reckon With](#). There is an opportunity to support the aspirations of women entrepreneurs to starting up and growing sustainable businesses.

## Partnering with your financial institution

An overwhelming number of entrepreneurs of both genders reported that their single biggest challenge as a business owner is “managing everything myself”.<sup>3</sup> With a trusted financial professional, you do not have to go it alone.

### Biggest challenge faced by small business owners



Source: BMO Wealth Institute survey by Validatell Technologies Inc., May 2016.

Because you and your business are inextricably linked. Therefore, it is important to look at both sides of the proverbial balance sheet: your personal financial plan and planning for your business’s sustainability and growth. A financial professional can help you to make decisions that relate to your personal goals (such as paying off mortgages, educating your children, tax-efficient wealth accumulation and planning for retirement) with your business goals (sustainability, growth and eventual sale).

## Setting up your personal and business lives for success

There is an added complexity to financial planning for the business owner because wealth can be created (or depleted) both personally and through the business. These opportunities and concerns were covered in the October 2013 BMO Wealth Institute Report entitled "[The financial balancing act for business owners](#)"<sup>10</sup> To create and sustain a viable business that both harnesses your ambition and enriches your personal life; consider the following as a checklist for engaging your financial professional in your business development.

- **Create a business plan.** A business plan not only functions as a roadmap of how your business will function and grow but it is also a document that your lender will need to review in order to evaluate the creditworthiness of your business.
- **Consider contingencies** such as emergency funding, disability insurance, long-term care insurance and critical illness insurance. Especially in the early days of your business - when you are learning about the ebbs and flows of your business cycle - it will be important to know that your personal and business obligations can be met even in a down cycle. Furthermore, it is very important to ensure that the business can continue without a key person - you - in case of a prolonged illness or injury.
- **Plan for the inevitable.** Life insurance can be used as a means to protect your family and protect your business. Life insurance can also be used to protect business partners from loss of control on the death of one of the business owners. In these cases, corporately owned life insurance can be used to buy out the business interest of a surviving spouse or family members, keeping controlling interests intact.
- **Explore various ways of sourcing capital.** Nearly all businesses require some measure of capital infusion - be it seed funding, research and development, a means to purchase inventory or a way to sustain payroll until the business is profitable. Capital can be accessed in a variety of ways, including business lines of credit, business credit cards, government loans and venture capital. Your financial professional can help you find the most suitable type of credit for your business.
- **Go digital with cash management.** Consider how it may help you and your business become more efficient and productive.
- **Access payroll services** through a small business banker. An entrepreneur's time is best spent on servicing the customers and growing their business, not on paperwork.
- **Ensure your wealth is tax-efficient and protected from creditors,** whether it is created inside or outside your business. Talk to a qualified tax advisor to discuss the use of corporate structures and individual pension plans to enhance your personal wealth through your business.
- **Discuss your business problems** with your financial professional. With a focus on small-business owners, your financial professional may be able to help your business persevere

during a market downturn, a low business cycle or any other disruption to your business. Remember, a relationship with your financial professional is helpful in good and bad times.

Every generation owes a debt of gratitude to the entrepreneurs whose innovations have made their lives easier, healthier and more fulfilling. Contrary to popular belief, many of those visionaries are conservative, calculated men and women who see a need in the marketplace and are inspired to fill it. At BMO Wealth Institute, we applaud your endeavors and we're here to help.

## Footnotes

- <sup>1</sup> The Life of an Entrepreneur. BMO Wealth Institute, December 2014. [www.bmoharris.com/financialadvisors/resources/bmo-wealth-institute](http://www.bmoharris.com/financialadvisors/resources/bmo-wealth-institute)
- <sup>2</sup> A force to reckon with: Women, entrepreneurship and risk. Becton, C. and McDonald, J. BMO Wealth Institute, May 2016. [www.bmoformen.com](http://www.bmoformen.com)
- <sup>3</sup> Survey conducted by Validatelt™ for BMO Wealth Institute from May 26-29, 2016. The online sample size was 1,000 American business owners with 100 or less employees. Overall probability results for a sample of this size would be accurate to within +/-3.1% at the 95% confidence level.
- <sup>4</sup> Financial concerns of women. BMO Wealth Institute, March 2015. [www.bmoharris.com/financialadvisors/resources/bmo-wealth-institute](http://www.bmoharris.com/financialadvisors/resources/bmo-wealth-institute)
- <sup>5</sup> How female entrepreneurs define success. Dr. Jeff Cornwall (blog), February 28, 2011. [http://www.drjeffcornwall.com/2011/02/28/how\\_female\\_entrepreneurs\\_define/](http://www.drjeffcornwall.com/2011/02/28/how_female_entrepreneurs_define/)
- <sup>6</sup> Exploring motivation and success among Canadian women entrepreneurs. Hughes, K. D. *Journal of Small Business and Entrepreneurship*, 2016: 19(2), 107-120.
- <sup>7</sup> Advertisement for Atari Corporation. *InfoWorld*, September 20, 1982: 4 (37), 68 (Google Books full view).
- <sup>8</sup> Please note that this quotation has also been attributed to a variety of historical figures, including Abraham Lincoln and Peter Drucker.
- <sup>9</sup> The psychology of entrepreneurship: A data-driven study into the motivation behind new business creation. Barclays, June 2015. Retrieved from <https://www.home.barclays/content/dam/barclayspublic/images/news-website/2015/06/Barclays%20report%2020150616v1-final.pdf>
- <sup>10</sup> The financial balancing act for business owners BMO Wealth Institute, October 2013. [The financial balancing act for business owners](#)



The foregoing summary is not based upon the factual situation of any specific taxpayer, is not intended to be tax advice to any taxpayer and is not intended to be relied upon. BMO Global Asset Management does not offer tax advice. Contact your tax advisor. This information cannot be used by any taxpayer for the purpose of avoiding tax penalties that may be imposed on the taxpayer. This information is being used to support the promotion or marketing of the planning strategies discussed herein. BMO Financial Group and its affiliates do not provide legal or tax advice to clients. You should review your particular circumstances with your independent legal and tax advisors. Estate planning requires legal assistance which BMO Financial Group and its affiliates do not provide. You should discuss your particular estate-planning situation with a qualified attorney. BMO Wealth Institute, a unit of BMO Financial Group, provides this commentary to clients for informational purposes only. The comments included in this document are general in nature and should not be construed as legal, tax or financial advice to any party. Particular investments or financial plans should be evaluated relative to each individual, and professional advice should be obtained with respect to any circumstance. BMO Global Asset Management is the brand name for various affiliated entities of BMO Financial Group that provide investment management and trust and custody services. Certain of the products and services offered under the brand name BMO Global Asset Management are designed specifically for various categories of investors in a number of different countries and regions and may not be available to all investors. Those products and services are only offered to such investors in those countries and regions in accordance with applicable laws and regulations. BMO Financial Group is a service mark of Bank of Montreal (BMO). BMO Asset Management Corp. is the investment advisor to the BMO Funds. BMO Investment Distributors, LLC is the distributor. Member FINRA/SIPC. BMO Asset Management Corp., BMO Investment Distributors, LLC, BMO Private Bank, BMO Harris Bank N.A. and BMO Harris Financial Advisors, Inc. are affiliated companies. BMO Private Bank is a brand name used in the United States by BMO Harris Bank N.A. BMO Harris Financial Advisors, Inc. is a member FINRA/SIPC, an SEC registered investment adviser and offers investments, advisory services and insurance products. Not all products and services are available in every state and/or location. Securities, investment advisory and insurance products are: **NOT FDIC INSURED — NOT BANK GUARANTEED — MAY LOSE VALUE.** © 2016 BMO Financial Corp. (4978087, 09/16)