

Entrepreneurship and Gender in Latin America

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1. Entrepreneurship and gender in Latin America: A story of equality?

Gender discrimination in Latin American societies significantly reduces the effective participation of women in the development of new businesses; therefore, it limits their possibilities for professional advancement, as well as development opportunities for their families. In an even broader context, inequality prevents women from efficiently contributing to business development in countries of the region.

The possibilities of undertaking new ventures are diminished by this reality. Most of the women surveyed for this study mentioned that they have suffered discrimination while doing business because of their gender. In fact, the results of this research paper show that women perceive greater inequality in opportunities to create companies and face more barriers in accessing resources, mainly financial ones, to develop their enterprises. These barriers have a negative effect on the outcomes and growth prospects of businesses created by women. Indeed, they prevent women, who represent more than 50% of the population, from efficiently contributing to the creation of wealth and jobs in Latin American countries.

2. Opportunities for and Barriers to Women in Entrepreneurship in Latin America

According to the Economic Commission for Latin America and the Caribbean (ECLAC, 2016)¹, Latin America remains the region with the greatest economic inequality in the world. At the meeting of the World Economic Forum on Latin America in 2016, governments and agencies responsible for economic growth in the region were advised to focus not only on promoting the creation of new businesses, but also on supporting the growth of 57 million existing small and medium enterprises (SMEs)² as the best strategy to give Latin American economies a greater boost in the short, medium and long term.

These recommendations are of great relevance given that, with the exception of Chile and Costa Rica—the countries in the region that held the best positions in terms of sophistication of business and innovation in the last Competitiveness Ranking of the World Economic Forum (2017-2018)—Latin American economies continue to depend mainly on *commodities* and low-value-added companies.

Other studies—such as the *Global Entrepreneurship Monitor* (GEM), which measures the impact of entrepreneurship on the economies of the world's countries—show that, although there are national differences, the general opinion of the respondents reflects a high regard (above 60%) for entrepreneurs. This positive appreciation stems from the understanding that new businesses contribute to the generation of new employment opportunities, as well as to a country's economic and social development.

According to the *Gender Gap Index* of the 2016 World Economic Forum, it will take at least 170 years to achieve equality between men and women in the world. The same report points out

¹<https://www.cepal.org/en/articulos/2016-america-latina-caribe-es-la-region-mas-desigual-mundo-como-solucionarlo>

² <https://www.weforum.org/agenda/2016/06/3-unorthodox-lessons-for-latin-america-s-entrepreneurs/>

that the fastest way to close the gap is to support women's entrepreneurship, as gender economic equality would bring \$12 trillion to the world economy, or about 11% of global output.³ The Women's Finance Initiative (We-Fi), launched by the World Bank in July 2017, is structured in this context. It is estimated that, in the bank's member countries, this project will contribute more than one billion dollars to provide technical assistance and financing of enterprises and SMEs led by women.

In addition to projects such as We-Fi, corporate projects also show the positive impact of the aforementioned policies and systems and can serve as a reference for designing programs to stimulate women's entrepreneurship in Latin American countries. For example, in 2008, Goldman Sachs launched the "*10,000 Women*" program with the aim of educating women in business issues and providing mentoring to female entrepreneurs in emerging economies. The results of the program show that a year and a half after graduation, the participants reported an average increase of 480% in income, about a 60% growth of their enterprises, and double the number of employees.

During this program, it has been observed that, compared to men, women tend to be more oriented towards investment in education and health-related projects. This finding is relevant because it shows that support for women entrepreneurs has a greater impact on the social progress of the communities in which they develop their projects.^{4,5} Probably one of the most laudable results of the Goldman Sachs program is that 90% of the female entrepreneurs who participated have become, in turn, mentors for other women who start businesses.⁶

This is a practical example of how female entrepreneurs' access to finance, education, mentoring and support contributes to the success of their businesses and generates jobs,

³ <http://www.mckinsey.com/global-themes/employment-and-growth/how-advancing-womens-equality-can-add-12-trillion-to-global-growth>

⁴ Chattopadhyay, Raghavendra and Duflo (2004). Women as policy makers: Evidence from a randomized Policy Experiment in India. *Econometrica* 72(5): 1409-43

⁵ See Report of Ilie C., Garcia J., Cardoza, G.. (2017). Women's Social Progress Index. INCAE:

⁶ Investing in the Power of Women. Progress Report on the Goldman Sachs 10,000 Women Initiative. Developed by Babson College

thereby helping to close the gender gap, positively impacting economic growth and reducing poverty. The lessons for managers in the public sector are also clear: in order to boost women's entrepreneurship, it is urgent to design training programs in business management, to provide mentoring and counseling services for women, to facilitate access to funding sources, to implement systems that stimulate innovation, and to incorporate new technologies.

3. Entrepreneurship and Gender in Latin America

Latin America is a region that shows great contrasts in terms of entrepreneurial activity. Figure 1, which was constructed from data from the *Global Entrepreneurship Index (GEI)*, shows that performance in all 14 GEI pillars⁷ is different for each country in the region. However, compared to the performance levels of developed countries (see Figure 2), Latin American countries show a much more deficient performance in the internationalization of their enterprises, innovation in processes, and the capacity to absorb new technologies.

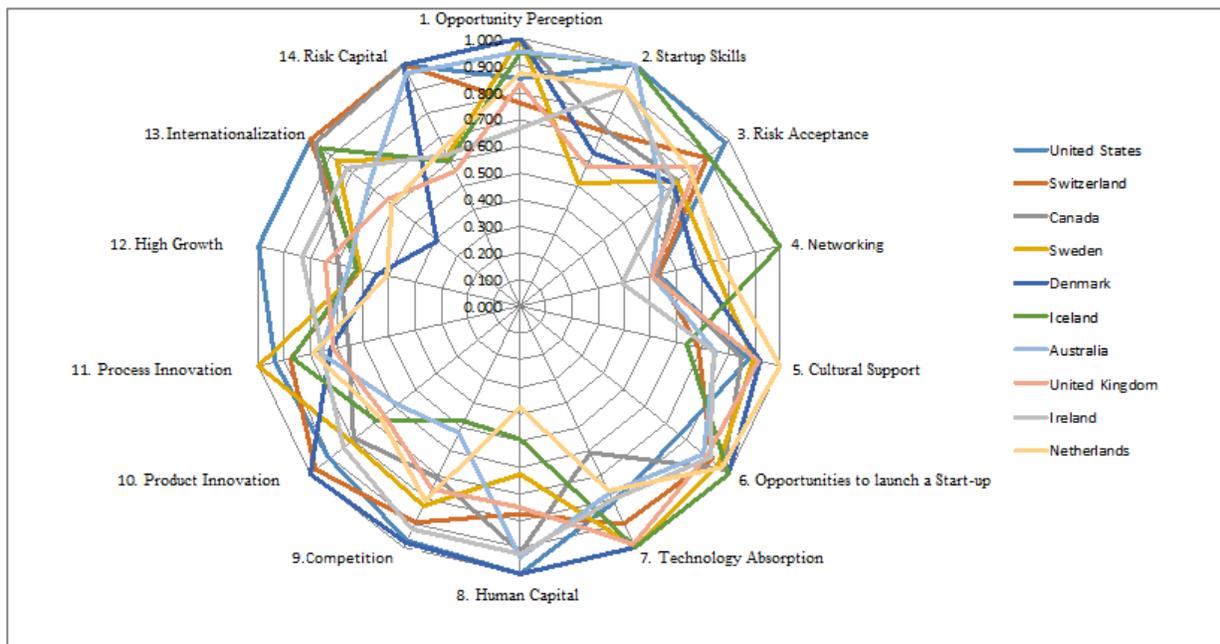


Figure 1. Global Entrepreneurship Index in the leading countries in the world. Source: GEDI, 2017.

⁷ The 14 pillars used for the development of the GEI are Opportunity Perception, Startup Skills, Risk Acceptance, Networking, Cultural Support, Opportunities to launch a Start-up, Technology Absorption, Human Capital, Competition, Product Innovation, Process Innovation, High Growth, Internationalization and Risk Capital. GEDI. 2017.

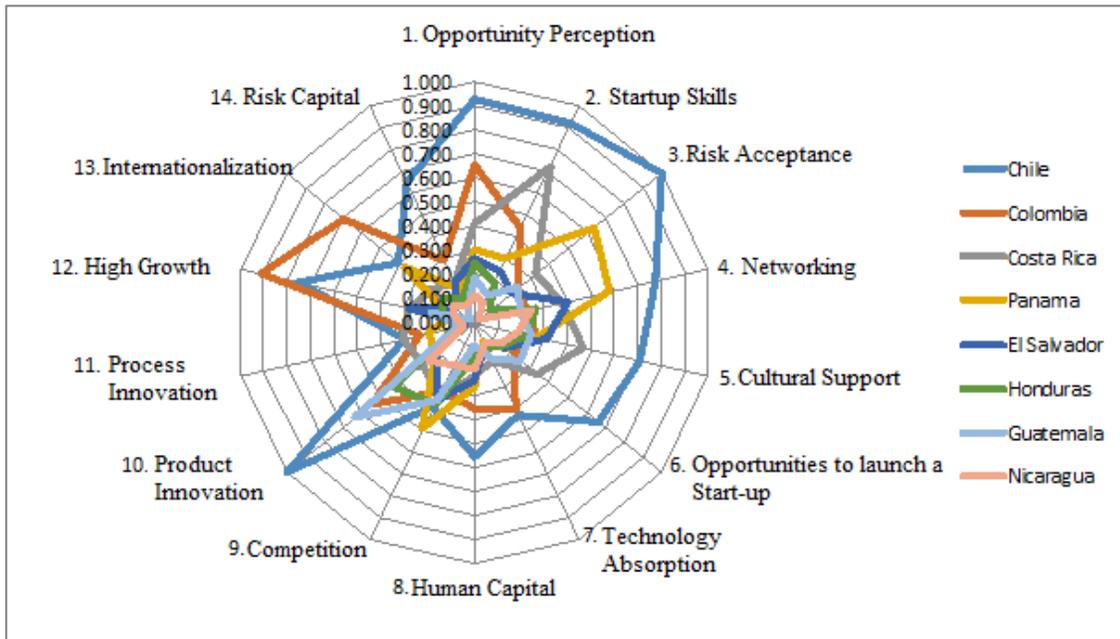


Figure 2. Global Entrepreneurship Index in the leading Latin American countries. Source: GEDI, 2017.

Similarly, when comparing the Gross Domestic Product (GDP) and the Global Entrepreneurship Index (GEI) of the world's leading countries with those of Latin American countries, we see a positive correlation between entrepreneurship and generation of wealth. In other words, with greater entrepreneurial activity, there is greater economic growth (Figure 3).

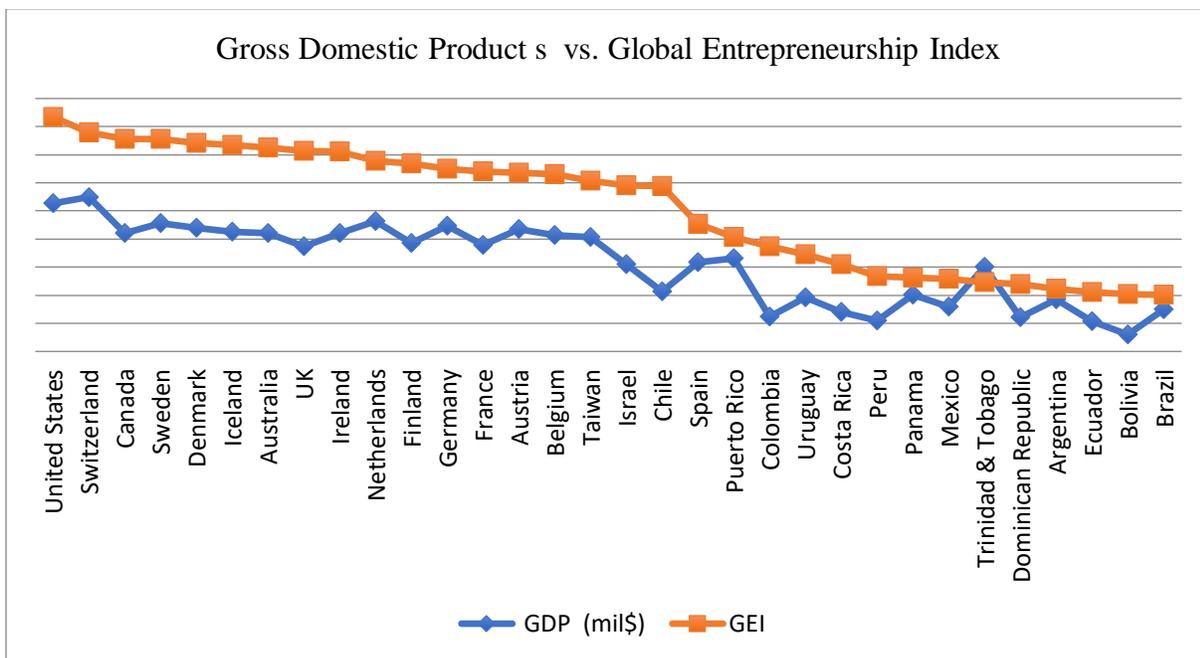


Figure 3. Source: GEDI and Authors. 2017

4. INCAE's study on Women's Entrepreneurship in Latin America. Analysis of Results

In order to identify obstacles and factors that determine women's entrepreneurial activity, and to contribute to the design of appropriate training programs and stimulus systems to promote the success of their companies, in 2017, a team of professors and researchers from INCAE Business School developed a study on entrepreneurship in Latin America. Data for the study were obtained from a survey of 342 entrepreneurs from 15 Latin American countries.

The research shows some significant differences in the perceptions and results of the entrepreneurial activity of women and men.

The study presents two revealing findings regarding **talent management**, which several research papers have singled out as a factor leading to companies' success. While male entrepreneurs employ more men than women (72%), and women entrepreneurs hire more women than men (67%), there is an even greater gender difference in the management positions responsible for decision making in companies led by men and women. Thus, although 95% of the women entrepreneurs surveyed have placed a majority of women in top management positions, this percentage is significantly lower in the case of male entrepreneurs (Figure 4).

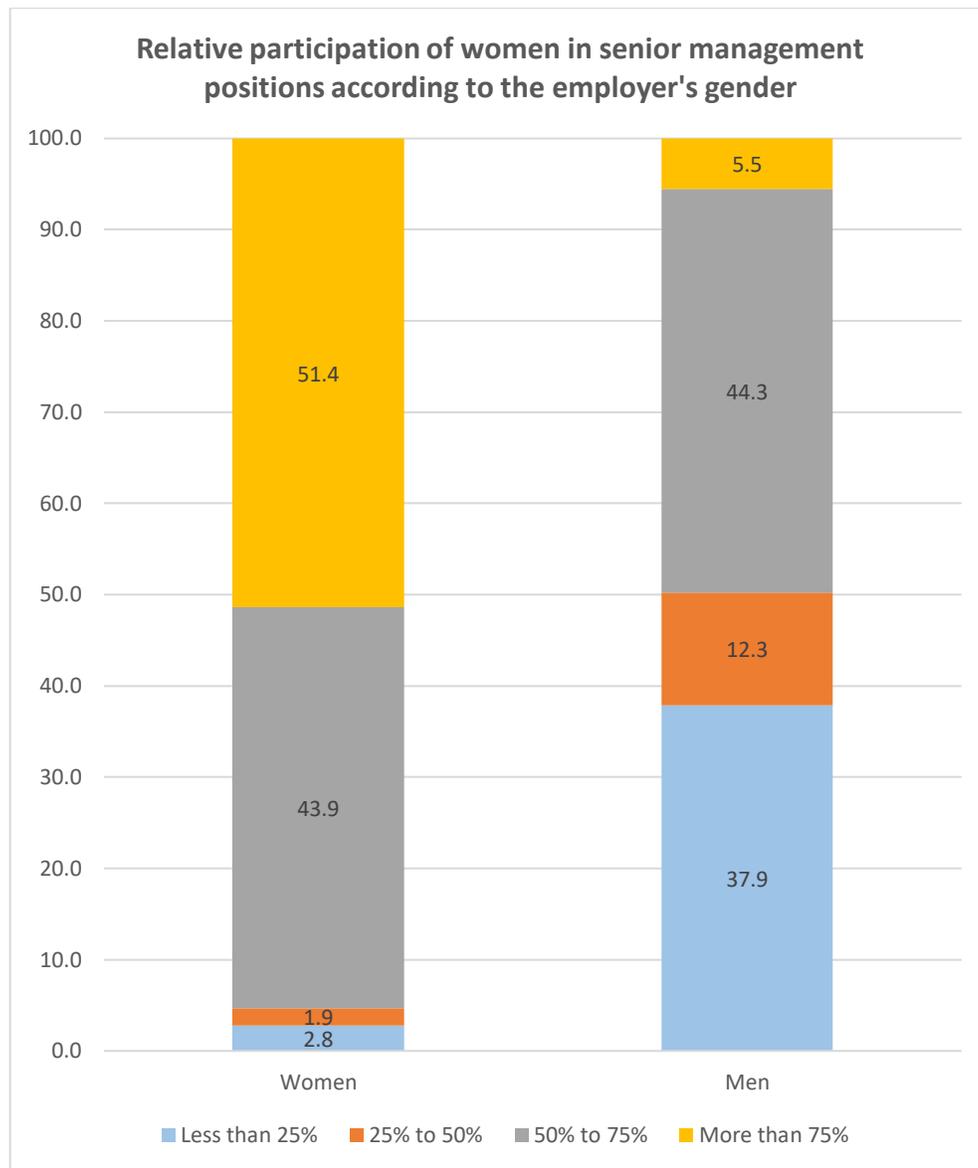


Figure 4. Source. Author. 2017.

This finding is of great importance because complementarity of gender among the members of a management team largely determines the ability to design better strategies. This observation is based on recent research showing that the thinking styles of women in Latin America predominate in the left and right limbic areas, responsible for empathy and relational skills, organizational capacity, strategy execution and deadlines. Men, on the other hand, tend towards left and right cortical thinking styles, areas that determine efficiency in the analysis of

situations, risk taking, the development of creativity, and business strategy design.⁸ Therefore, the fact that 95% of female entrepreneurs surveyed stated that women dominate their top management indicates a **lack of diversity in these management teams** and warns about the potential negative effects on innovation, risk management, growth strategies and—ultimately—the results of their businesses.

In addition, 68% of the female entrepreneurs who participated in the study said that at least one of their parents had been an entrepreneur. This percentage is lower for entrepreneurial men (60%). This fact is relevant because it indicates that **family business experiences** have a greater influence on **female entrepreneurship**. **It also raises the challenge of supporting women entrepreneurs who do not have such familial inspiration or do not have their families' support and encouragement.** This finding reinforces the World Economic Forum's recommendation **to develop programs that support existing women entrepreneurial pursuits to boost their growth and help women who have inherited their family businesses.**

The study reveals another gap of similar magnitude: the estimated **possible growth of companies led by entrepreneurial women and men**. While 59% of men expect a profit increase of more than 10% over the following two years, only 48% of female entrepreneurs expected growth of more than 10%.

This finding may reflect the inequality of opportunities perceived by women in Latin American societies, mainly regarding access to resources and the lack of necessary training and advice in business to develop their enterprises. Furthermore, there is the **perception of discrimination**: while 27% of women claim to have been discriminated against because of their gender when doing business, only 4% of men perceive this type of barrier (Figure 5).

⁸ Ilie C., Cardoza, G. (2018). "Thinking styles, gender and decision-making in Latin American management: a comparative international perspective." Paper accepted for publication in January 2018 in the *ARLA Academic Journal*.

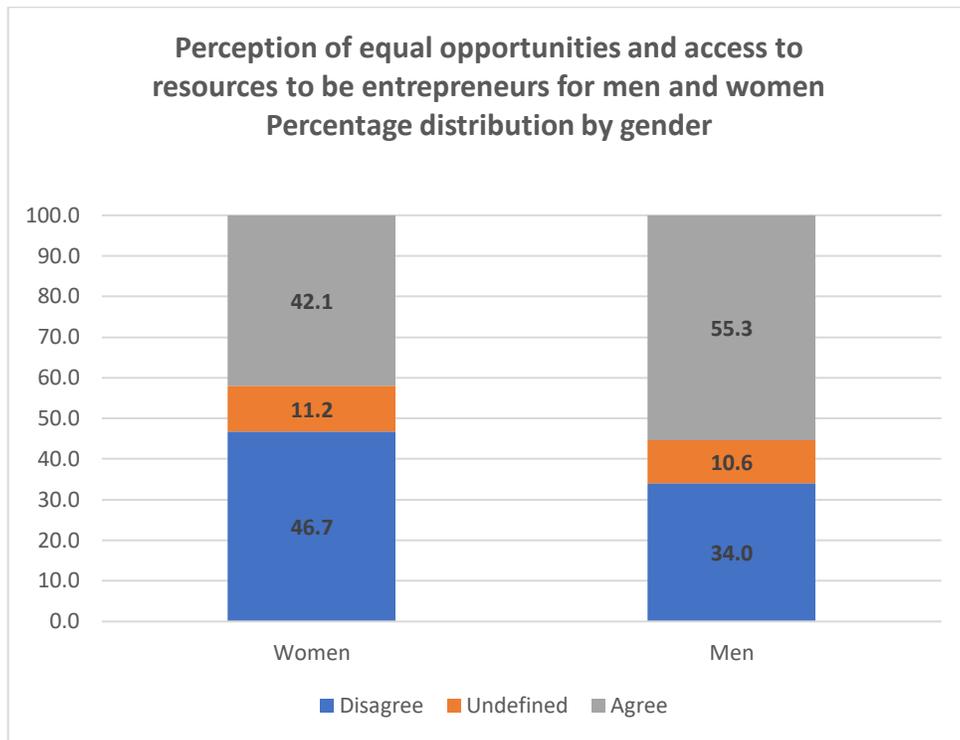


Figure 5. Source. Authors, 2017.

In conclusion, a worrisome finding of the study is the high rate of failure in women’s businesses. Indeed, the region of Latin America has **the second-highest rate of women discontinuing their businesses**. In analyzing the reasons that entrepreneurs decide to close their companies, men indicate, to a greater extent than women, that they have done so because of poor financial profitability; female entrepreneurs, however, point out the **difficulty of obtaining financing** as the main impediment to continuing their businesses.

5. Findings and Recommendations

The results of the study summarized in this report give greater clarity to the differences between female and male entrepreneurship in Latin America. This understanding allows us to approach the design of more efficient public and corporate policies from a gender perspective to boost entrepreneurship in the countries of the region. The findings and observations of the study allow us to consider the specific conditions and barriers, so as to support entrepreneurial

talent with a greater probability of success, and thus, to accelerate economic growth in Latin America on the basis of an equitable and sustainable model.

Specifically, in order to strengthen women's entrepreneurship, we recommend offering training programs in business management, professional *mentoring* and funding systems. Likewise, forming diverse management teams by incorporating more male managers in women-owned businesses will help female entrepreneurs improve their diagnostic capacity, design better strategies, manage risks more efficiently, accelerate the pace of process innovation, and incorporate new technologies more efficiently.

Additionally, the study draws attention to another important cultural feature of Latin American societies that negatively affects women's entrepreneurship. Respondents say that in their culture, marriage is perceived as an effective mechanism for women to achieve economic stability. This perception reveals the chauvinist ideology still predominant in large sections of the population. It also reveals the low self-esteem and self-confidence of many women, which translate into barriers to women who want to take on the challenges of being economically independent and contributing to the economy of their country.

In conclusion, the results of this INCAE study indicate that the combination of public and private support policies and systems have a positive impact on the creation of businesses and the growth of SMEs in the region. Although the research emphasizes the gender perspective, it ultimately comes down to efficiently mobilizing the resources available in a society to grow equitably and inclusively. The discussion in the region, therefore, should center around debates on gender equality within the framework of sustainable development models.

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