

# Are there gender differences among entrepreneurs?

Insights on the characteristics and gender differences of business owners.

BMO Wealth Management 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  
[bmo.com/wealthreports](http://bmo.com/wealthreports)

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 Canadians are considering self-employment – particularly since the Great Recession of 2007–2009, when many jobs became vulnerable to downsizing. In fact, the BMO Wealth Report titled “[Entrepreneurs: Definitely not your ordinary business owner](#)” 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 Management 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 behaviour and how their business growth was funded. BMO Wealth Management followed up this research with a survey of 803 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

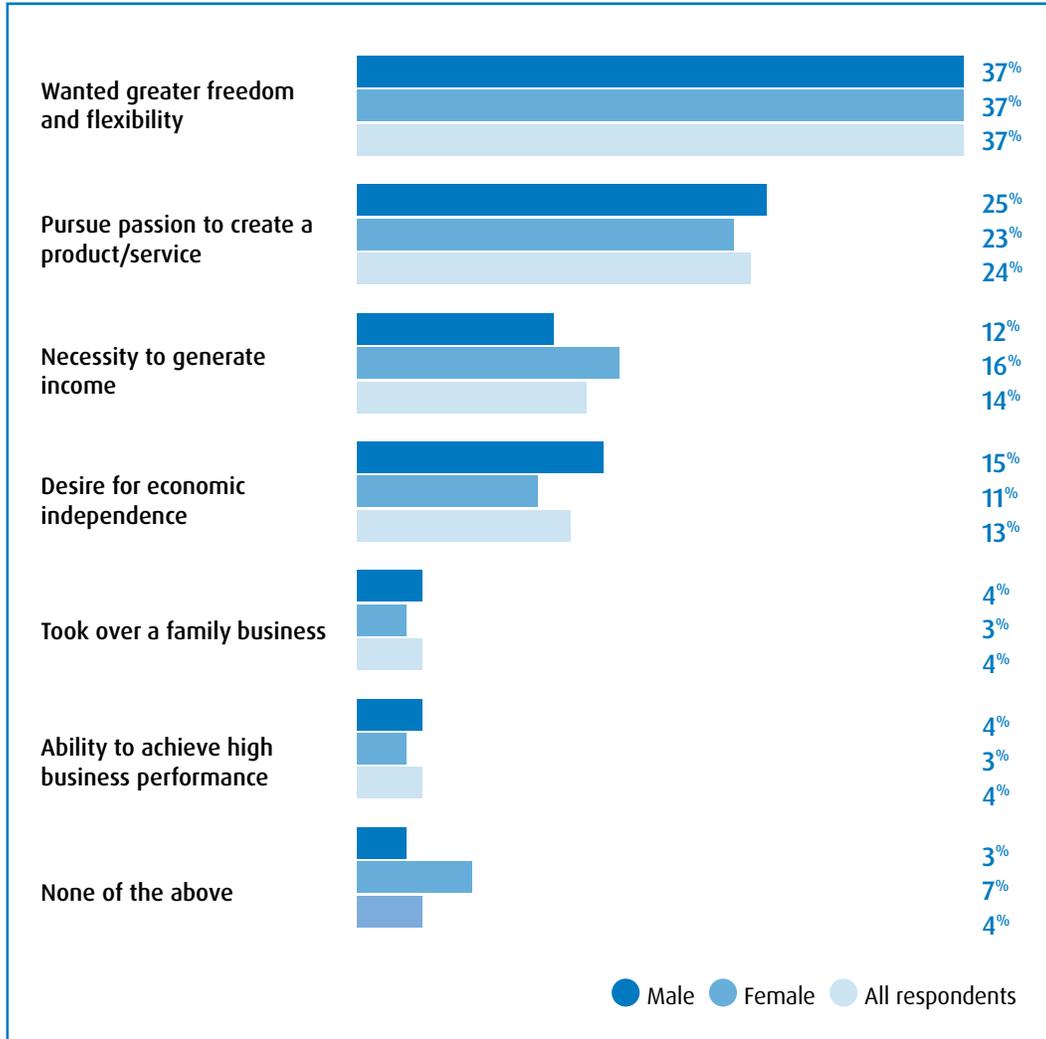
### Motivation

Millions of Canadians 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, or to pursue their passion to create a specific product or service.<sup>3</sup> The only minor differences were

found in the necessity to generate income (favouring female entrepreneurs) and the desire for economic independence (favouring male entrepreneurs).<sup>3</sup>

Main reason for becoming a small business owner



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

Specifically, this desire for economic independence is consistent with findings previously reported by the BMO Wealth Report entitled “[Women in Wealth: A financial golden age has arrived.](#)”<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 64% of men and 72% 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.

If risk-related behaviour were really linked to gender, one would expect to see differences in the growth rates and the rates of innovation between businesses run by men and women. To the contrary, small- and medium-sized enterprise (SME) businesses grow at a rate of 20% per year irrespective of the gender of the controlling ownership stake.<sup>2</sup> Furthermore, the rate at which SMEs drive innovation is similar across both genders. Innovation – by its very nature – involves taking risks to create a new product or service. It would appear that there is very little evidence to support the contention that men are risk takers – bold (verses cautious) and women are risk-averse – cautious (verses bold).

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

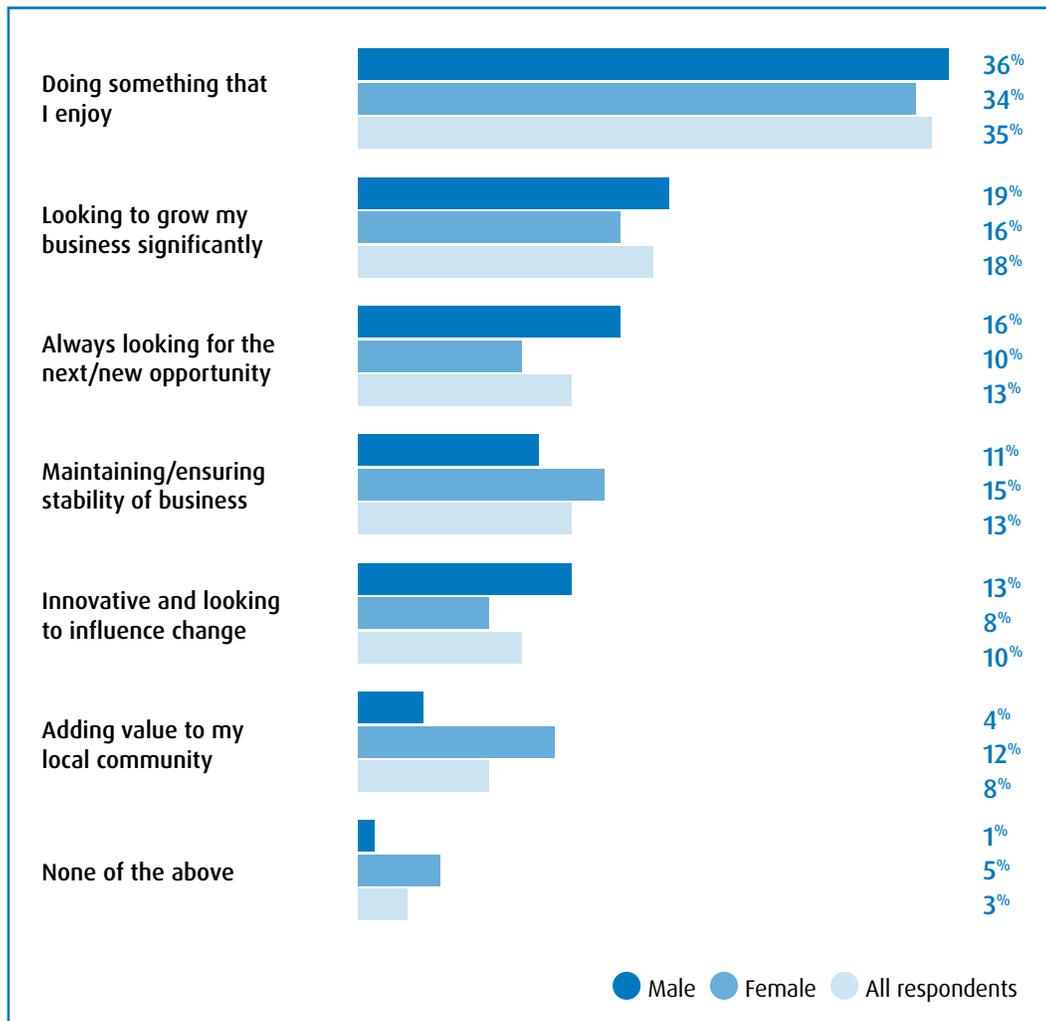
Surely, there are some differences between male and female entrepreneurs. The research and survey results confirmed some differences but they also showed some interesting insights. A number of small but statistically significant differences among male and female entrepreneurs were found in the types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

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

## How small business owners describe themselves



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

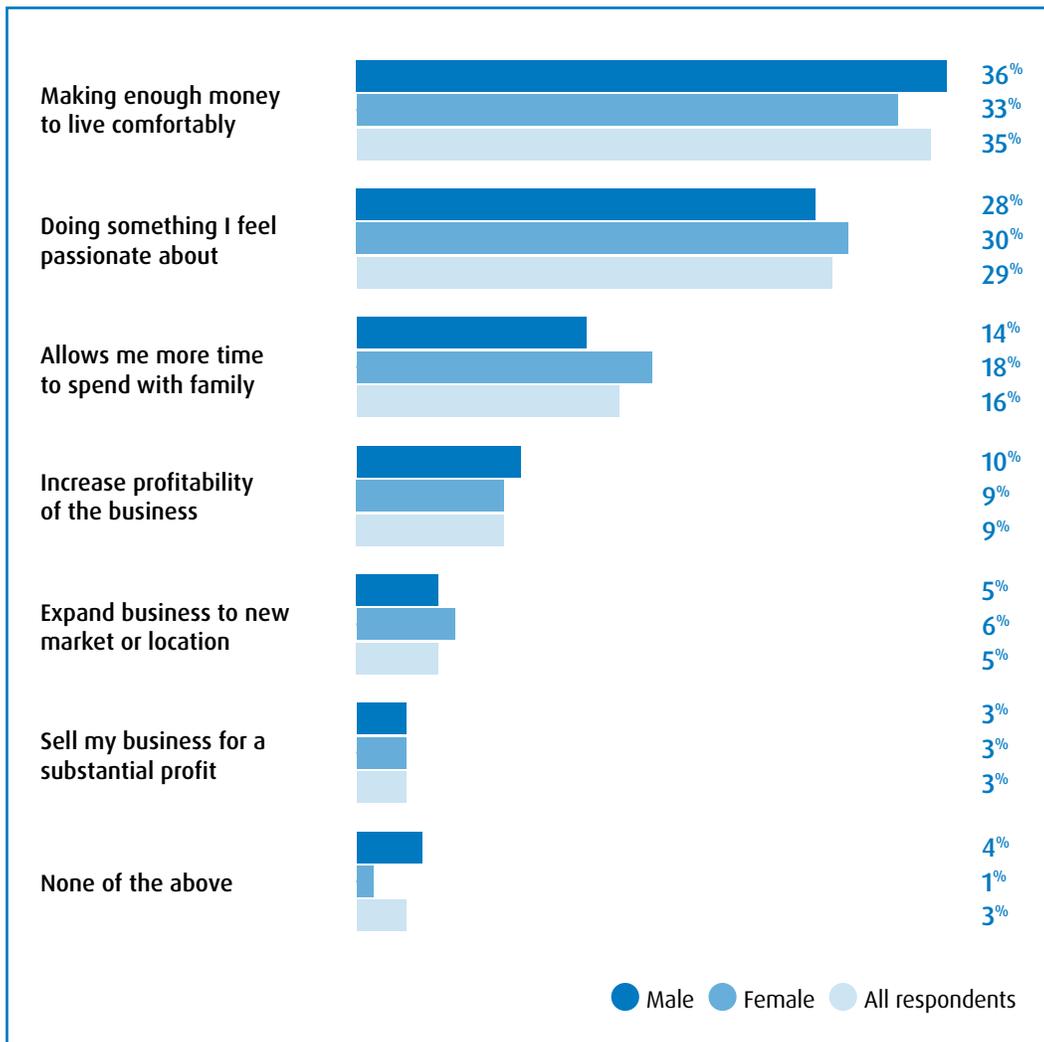
These results give pause to traditional lending philosophies that value rapid growth, sale and reinvestment over long-term sustainability. It is as if traditional lending practices treat risk as an objective rather than a means to an end. Focusing on year-on-year growth, balance sheets and operating expenses would therefore seem like metrics that are more likely to favour 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.

### 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>

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

## How small business owners define success in business



Source: BMO Wealth Management survey by Validatett Technologies Inc., May 2016.

Research from the BMO Wealth Report "[Women in Wealth: A financial golden age has arrived](#)"<sup>4</sup> identified the "caregiver burden" – the responsibility for the care of children and elderly parents – as a primarily female concern.<sup>4</sup> 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 behaviours

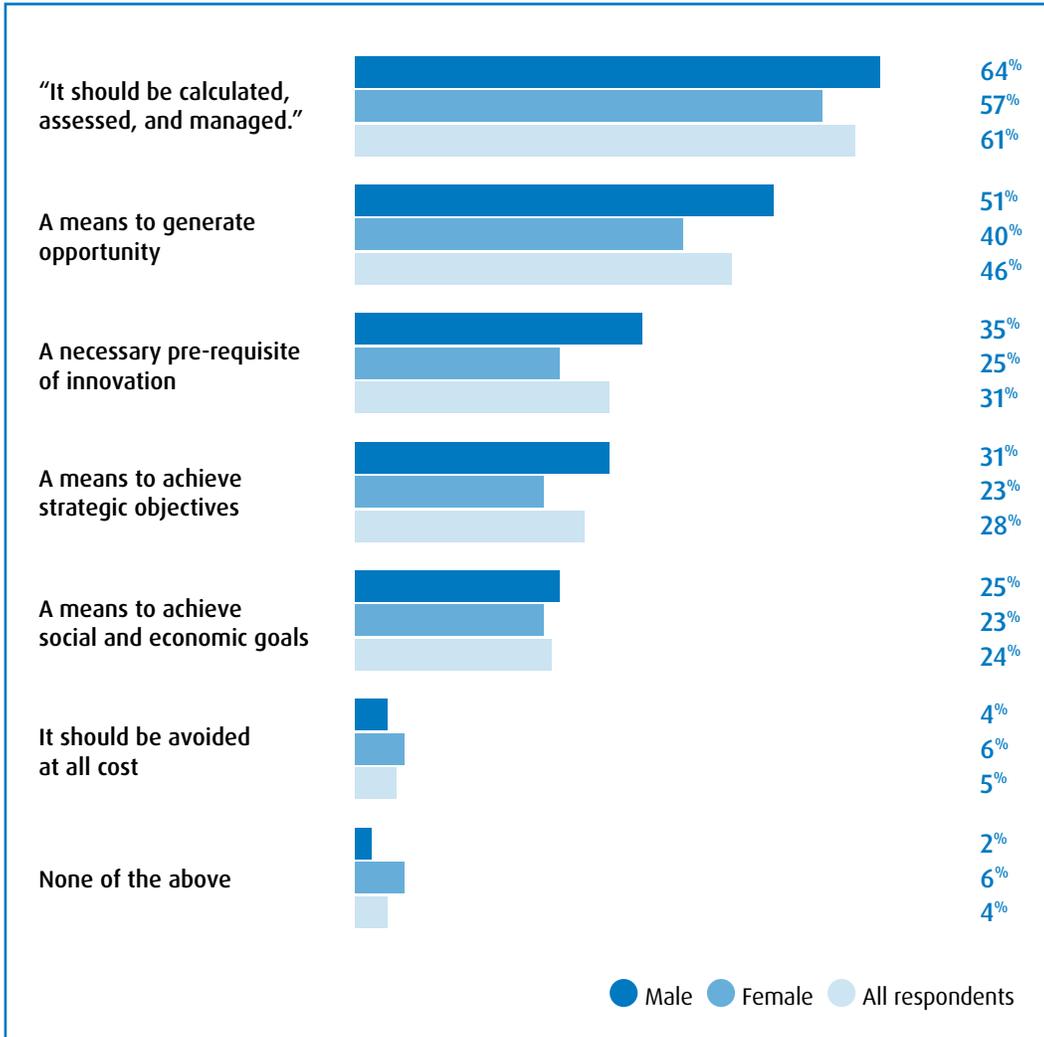
Earlier, it was suggested there was statistical evidence of a correlation between an entrepreneur's motivation for opening a business and their comfort with risk-related decision making. Should one therefore assume that self-employed men and women exhibit the same risk-taking behaviour? Not exactly. 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.**

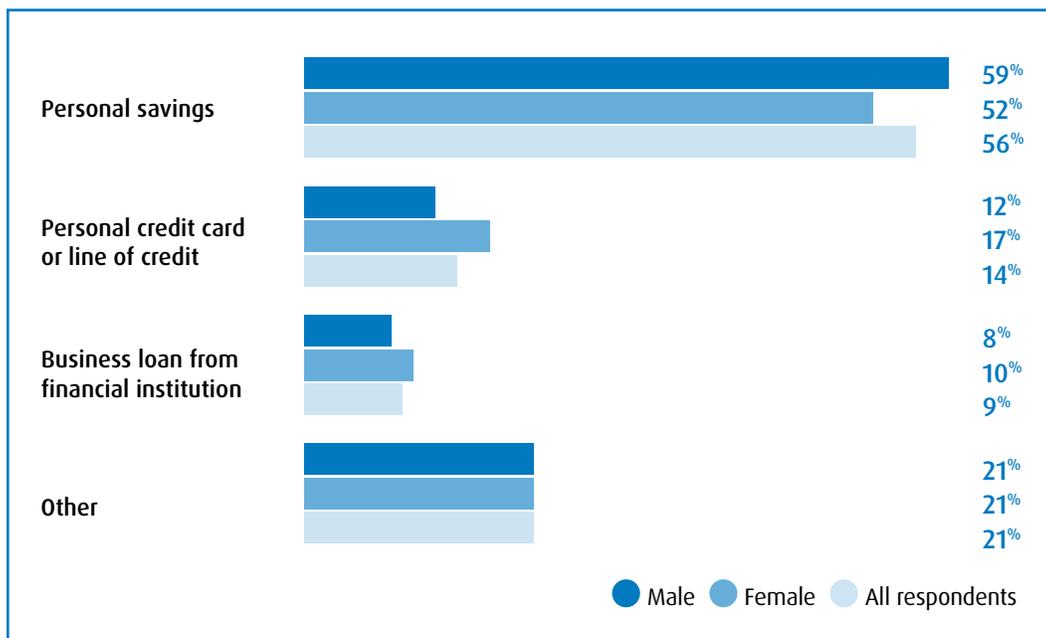
Source: BMO Wealth Management survey by Validatelt Technologies Inc., May 2016.

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 Management survey by Validatelt 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 such as Futurepreneurs, the Business Development Bank, and Women's Enterprise centres and other similar 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](#). The Carleton study highlighted that

- The number of self-employed women with an incorporated business has increased by 15 per cent since 2007;
- Over two thirds (68 per cent) of female owned companies reported capturing a larger share of their existing market through innovation; and,
- Businesses with majority female ownership report the highest instance of average yearly revenue growth of more than 20 per cent.

Clearly, there is an opportunity to support the aspirations of women entrepreneurs to starting up and growing sustainable businesses.

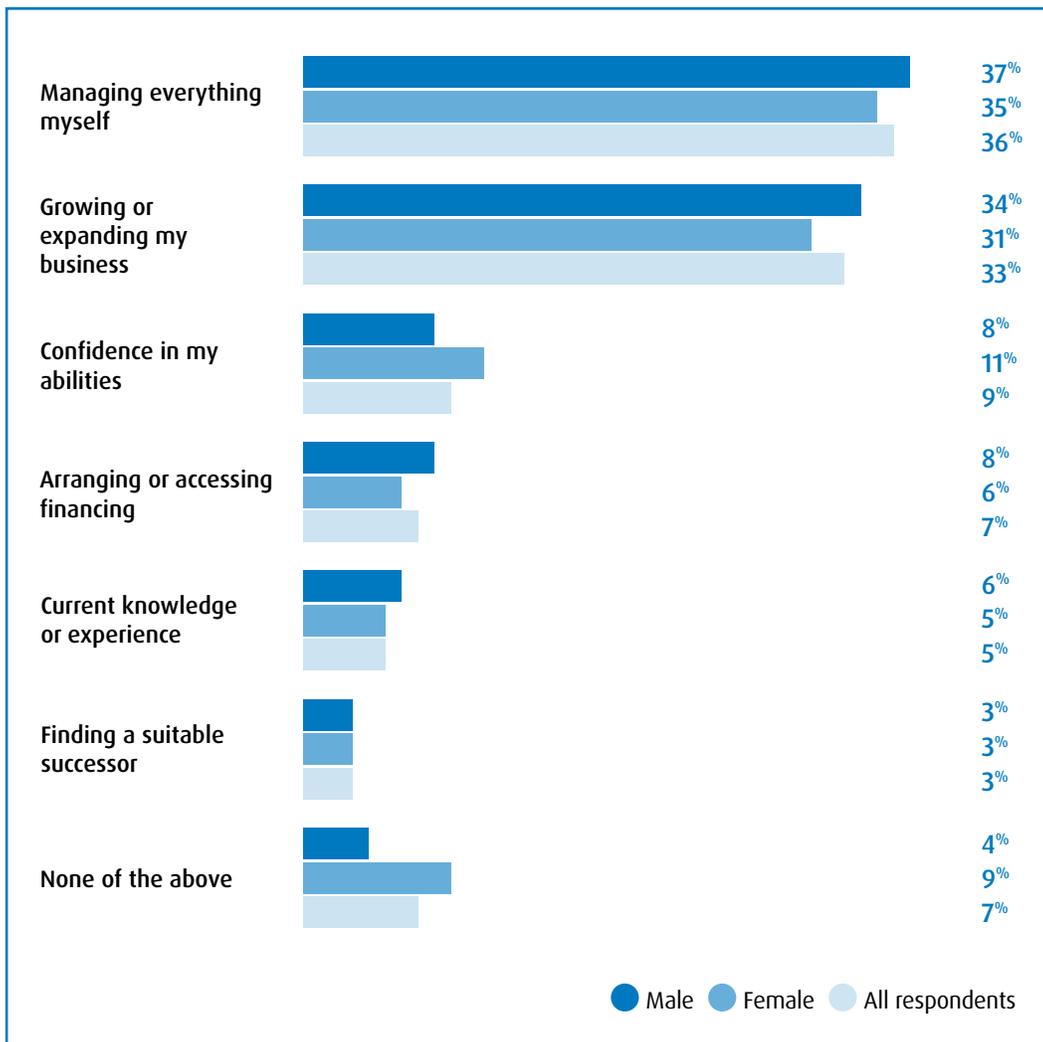
BMO aspires to be the bank of choice for women entrepreneurs, **BMO is making an additional \$2 billion in credit available to women-owned business** across Canada over the next three years.

For more insights and information about investing in companies managed by women, visit **bmoforwomen.bmo.com**

## 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 BMO Wealth Management, you do not have to go it alone.

### Biggest challenge faced by small business owners



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

At BMO Wealth Management, we understand that 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 BMO wealth management services 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 Report entitled "[Are your business and personal finances on solid ground?](#)"<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 BMO in your business development.

For more tips, visit [yourfinanciallife.bmo.com/business](http://yourfinanciallife.bmo.com/business)

- **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. Meeting with a commercial account manager before you need to borrow will help ensure that your partner at BMO is familiar with your business from its inception. Besides, what better way to practise promoting your business than discussing it with someone who is dedicated to serving business interests?
- **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 BMO commercial account manager is there to 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. Ask your BMO commercial account manager about how BMO can help you manage your payables and receivables. For more information, visit <http://www.bmo.com/main/business/cash-management>
- **Access payroll services** through your BMO commercial account manager. An entrepreneur's time is best spent on servicing the customers and growing their business, not on paperwork. Engaging your BMO commercial account manager for back-office needs such

as payroll services can help ensure that your employees are paid promptly and that your attention is appropriately focused.

- **Ensure your wealth is tax-efficient and protected from creditors**, whether it is created inside or outside your business. Talk to one of the BMO wealth management professionals 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 BMO commercial account manager. With a focus on small-business owners, your BMO commercial account manager 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 BMO commercial account manager 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 Management, we applaud your endeavours and we're here to help.

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

## Footnotes

- <sup>1</sup> Entrepreneurs: Definitely not your ordinary business owner. BMO Wealth Institute, October 2014. [www.bmo.com/wealthreports](http://www.bmo.com/wealthreports)
- <sup>2</sup> A force to reckon with: Women, entrepreneurship and risk. Becton, C. and McDonald, J. BMO Wealth Management, May 2016. [www.bmoformen.com](http://www.bmoformen.com)
- <sup>3</sup> Survey conducted by ValidateIt™ for BMO Wealth Management from May 17-22, 2016. The online sample size was 803 Canadian business owners with 100 or less employees. Overall probability results for a sample of this size would be accurate to within +/-3.46% at the 95% confidence level.
- <sup>4</sup> Women in Wealth: A financial golden age has arrived. BMO Wealth Institute, March 2015. [www.bmo.com/wealthreports](http://www.bmo.com/wealthreports)
- <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-newsite/2015/06/Barclays%20report%2020150616v1-final.pdf>
- <sup>10</sup> Are your business and personal finances on solid ground? BMO Wealth Institute, October 2013. [www.bmo.com/wealthreports](http://www.bmo.com/wealthreports)



We're here to help.™

This publication is for informational purposes only and is not and should not be construed as, professional advice to any individual. Individuals should contact their BMO representative for professional advice regarding their personal circumstances and/or financial position. The information contained in this publication is based on material believed to be reliable, but BMO Wealth Management cannot guarantee the information is accurate or complete. BMO Wealth Management does not undertake to advise individuals as to a change in the information provided. It is intended as advice of a general nature and is not to be construed as specific advice to any particular person nor with respect to any specific risk or insurance product. The comments included in this publication are not intended to be a definitive analysis of tax applicability or trust and estates law. The comments contained herein are general in nature and professional advice regarding an individual's particular tax position should be obtained in respect of any person's specific circumstances.

® "BMO (M-bar roundel symbol)" is a registered trade-mark of Bank of Montreal, used under licence.

All rights are reserved. No part of this publication may be reproduced in any form, or referred to in any other publication, without the express written permission of BMO Wealth Management.

BMO Wealth Management is the brand name for a business group consisting of Bank of Montreal and certain of its affiliates in providing wealth management products and services.