BankThink Words matter: How gendered discourse could be stifling female entrepreneurship

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Think about a successful entrepreneur. What image comes to your mind? If you are like many people, you envisioned the entrepreneur as a man.

This stereotype is not so surprising given the worldwide statistics. Only 15.8% of global companies have at least one female founder, according to Crunchbase's continuing study of female founders. Furthermore, men receive considerably more venture capital money than women.

What is surprising, however, is one factor that is most likely influencing the distribution of financing: the considerably different language venture capitalists use in describing men versus women — something we observed firsthand in our research in Sweden.
One factor that is most likely influencing the distribution of financing to entrepreneurs: the considerably different language venture capitalists use in describing men versus women.
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Like flies on the wall, we 

 silently observed how governmental venture capitalists’ assessed entrepreneurs over a period of two years. During that time, we mapped how venture capitalists discussed and characterized entrepreneurs and we analyzed their rhetoric. While our aim was to study financial decision making to help the group of venture capitalists develop their processes, the most startling trend we observed was related to gendered discourse.

During our studies, we found that financiers who described a woman as having a positive quality almost always also described her as also possessing a negative quality (think: “experienced, but worried,” “good-looking and careless with money” and “too cautious and does not dare”).

In particular, the financiers often questioned women’s competence, experience and knowledge. Women were also viewed as being pushed into entrepreneurship. On one occasion, the financiers joked that a female applicant, whose family was wealthy, was probably trying to start a business to have something to do.

On the other hand, male entrepreneurs were described as assertive, innovative, credible and trustworthy and were praised for having sufficient experience and established networks.
The message from our research is clear: The venture capitalists’ stereotyping through language undermined the image of a woman as an entrepreneur. What is said and expressed about an individual logically influences the way that person is perceived.

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Ultimately, the venture capitalists’ perception of an entrepreneur aligns with a decision of dismissal or approval to fund the company.

In our study, we found women’s applications were rejected more frequently than men’s. We also found women entrepreneurs were only awarded, on average, 25% of the applied amount, whereas men received, on average, 52% of the applied amount.

When we analyzed where governmental venture capital goes in Sweden, we saw a similar pattern. Though women run about one-third of the businesses in Sweden, they are not granted a corresponding proportion of government funding. In fact, women-owned businesses receive much less — only 13% to 18% of government funding. These statistics are particularly startling when considering the fact that governmental venture capitalists are required to take account of national and European equality criteria and multiple gender requirements in their financial decision making.

These biases are also troubling because governmental venture capital provides significant financial resources to entrepreneurs, including for those that have difficulties gaining access to bank financing or private capital. Worldwide, governmental venture capital is important for bridging significant financial gaps and for supporting innovation and growth. For instance, from 2007 to 2013, the European Union allocated €3,621,000,000, or nearly $4.32 billion, to finance innovation and growth in small-to-medium European ventures.

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Because the purpose of governmental venture capital is to use tax money to stimulate growth and value creation for society as a whole, gender bias also presents the risk that the money isn’t being invested in businesses that have the highest potential.

To address these major shortcomings, we must first become aware of how gender stereotyping is present in decision making. But becoming aware is just a start. We must also reflect when gender stereotyping occurs. Dare to ask questions such as, "Would we speak like this if we would assess a man instead of a woman?" or "Why is it so that when we discuss a man we say … but this never/rarely happens when we discuss a woman?" From there, we must openly discuss alternatives and test them using other approaches of characterizing women and men. The process, much like when changing organizational culture, requires persistence. Gender bias isn’t only damaging for women entrepreneurs; it’s potentially damaging for society as a whole.

Editor’s note: This post is part of an ongoing series looking at gender and diversity issues in banking and finance. For more on this subject, see the previous post in the series, from New York Superintendent Maria Vullo, here and visit American Banker’s Women in Banking page.
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"In fact, women-owned businesses receive much less — only 13% to 18% of government funding." It would be interesting to see the numbers of male applicants vs female applicants for government funding. Unfortunately one can always play the numbers anyway they want in order to support one's political slant.