

A Study on the Differences of Performance in Small Businesses by Gender

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Abstract

There is a growing concerns for startups and management issues in the small business sector. In the Korean unique condition, female-owned small business seemed to play a crucial role in stimulating domestic demands and replacements for workforce reductions in the time of reduced birth rates and export-driven economy. Despite importance of female-owned small businesses, domestic statistics about female small businesses are not well recognized and defined.

To design the current entrepreneurship training programs for female entrepreneurs more female-friendly, we need to improve overall environments surrounding training systems. We can classify the environmental improvement for women-friendly entrepreneurship training into three types as follows: First, it is needed to conduct regular surveys on difficulties female entrepreneurs may have. To develop a program for women-friendly entrepreneurship training, extensive and thorough survey is required for entrepreneurship training goals. To design women-friendly entrepreneurship training for women entrepreneurs henceforth, preliminary surveys should be carried out to detect problems within the course of the program and women's expectation regarding entrepreneurship training.

Second environmental improvement is to overcome the lack of information on entrepreneurship training for women. Difficulties that women entrepreneurs experience are different from their counterparts, male.

Last is about overcoming the lack of follow-up management after opening a business. To surmount the issue, we need to organize a management improvement consulting systems focused on female entrepreneurs. Establishing networks connecting female businesses should be the most urgent measure. With this regard, if follow-up

services for female entrepreneurs are provided for at least three years from the time a business is opened, it may produce even more desirable results.

Keywords: Entrepreneurship, Small Businesses, Female owned, management, performance, Gender

I. Introduction

The current supporting policy for small business startups in Korea is in an epochal period, from which it is now entering a new phase. The government so far has been supporting small businesses by establishing two major organizations, Market Management Agency and Small Business Promotion Agency, under the umbrella of SBA(Small Business Agency), in recognition that its supporting policy for small business is a critical leverage for preventing the collapse of the middle class and vitalizing the national economy. These are some results of government's efforts to restructure and boost self-employed small businesses.

There are, however, growing concerns for startups and management issues in the small business sector. While there is no doubt that new small business entrepreneurs will continue to enter into the start-ups considering Korea's economic conditions, the market situation is expected to be rather aggravated in the next ten years. Such an outlook signifies that at least one out of two people currently engaged in small businesses would become a jobless, salary earner or daily worker within ten years. In the Korean unique condition, female-owned small business seemed to play a crucial role in stimulating domestic demands and replacements for workforce reductions in the time of reduced birth rates and export-driven economy. Despite importance of female-owned small businesses, domestic statistics about female small businesses are not well recognized and defined.

II. Theoretical Backgrounds

1. The relationship of successful startups and the genders

In a recent study conducted by Suh Geun-ha (2007) to inquest into the positive factors for overcoming recession and successful startups of small businesses; *Study on the Critical Success of*

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Recession-Resistant and Management Renovation in Small Retail Dealer, the paper analyses the differences of successful results by gender, age, and the level of education of small business owners. Among them, the impact on business performance by gender drew the most attention. Sexton and Bowman (1990) has researched the interrelations on psychological characteristics, such as adaptability level of enthusiasm, level of interpersonal emotion, risk-taking propensity, the value granted to autonomy and change, social skills, and dependency on the characteristics and experience of entrepreneurs. He discovered a significant difference in the characteristics and experience of entrepreneurs on management performance. However, a study on the characteristics between male-owned and female-owned businesses conducted by Buttner and Rosen (1989) showed few differences in experience and desire. In a study carried out by Smith and Miner (1984) revealed that male-owned businesses with high risk sensitivity are advantageous for an opportunity-pursue-type ventures, while female-owned businesses who are exceptional in providing various products and services have much more strengths in an artesian-type of businesses with strong autonomy. Yoon Sung-wook and Suh Geun-ha (2003) classified business entities into successes and failures based on the personal attributes and marketing awareness of small business entrepreneurs of Korea, and revealed that the gender differences have significant influences on management performances. Studies mentioned above showed small business startups are more favorable for male-owned small businesses than that of female-owned.

The findings of that study are as by chi-square analysis. First, Management differentiation has a positive impact on the success of the Small Businesses. Second, Job satisfaction produce a positive effect on the success of the Small Businesses. Third, Implementation of the success factors is positively related to the success of the Small Businesses. Fourth, Marketing costs have a positive influence on the success of the Small Businesses. (Suh 2007, Yoon 2003 modified and recited).

As shown above, analysis for the success factors of small businesses is associated with the promotion of startup success rates in the small business policies thus, follow-up researches seem to be necessary for the correlations between demographic factors and startup performances.

<Table 1> Status of Small(Tiny) Businesses in Korea, 2007

(Unit: ea)

Classification n	Nationwide		
	Total Enterprise(A)	Small Business Enterprise(B)	Ratio(B/A)(%)
Enterprise	2,976,646	2,616,222	87.9%
Employee	12,612,692	5,102,578	40.5%

Source: Reorganized/ Edited, Statistics Administration, 『2007 Analysis report on actual survey of nationwide small businesses

<Table 2> Scale & Number of Enterprise in Korea, 2007

(Unit: ea)

Total	Tiny Enterprise	Small Enterprise	Midium Enterprise	Large Enterprise
2,976,646	2,616,222	258,572	99,391	2,461
(100%)	(87.9)	(8.7)	(3.3)	(0.1)

Source: Reorganized/ Edited, Statistics Administration, 『2007 Analysis report on actual survey of nationwide small businesses

III. Management Characteristics by Gender Differences in Small Businesses

1. Analysis of management characteristics by gender differences in small businesses

In analyzing small businesses of Korea, delving into the difference of the preparation and performance of startups by gender from the demographic perspective, is a prime concern for the government policies. We expect that the differences of gender - among the several management factors - as to how it impacts the success of startups ultimately will demonstrate very interesting implications for the support of female-owned startups.

The overall number of female-owned businesses in Korea is 1.036 million as shown in <Table 3>, accounting for 39.8%, while the number of employees of female-owned businesses is 1.866 million or 36.6%. The figures suggest that numbers and employee numbers of female-owned small businesses are considerably high and cannot be overlooked.

<Table 3> Small Businesses by Gender in Korea 2007

(Unit: ea, People, %)

Classification n	Nationwide		
	Small Businesses Owned by Female	Small Businesses Owned by Male	Total
Enterprise	1,036,677 (39.8)	1,579,545 (60.2)	2,612,222 (100)
Employee	1,866,875 (36.6)	3,235,703 (63.4)	5,102,578 (100)

Source: Reorganized/ Edited, Statistics Administration, 『2007 Analysis report on actual survey of nationwide small businesses

Judging from the management conditions of female-owned small businesses as shown in <Table 4>, average monthly revenue is 7.022 million won, 2.38 million won lower than those owned by males; also, businesses which an average monthly revenue of less than 4 million won were operated mostly by female, rather than male. Average monthly earnings of female-owned small business were 1.534 million, less than that of male-owned by 485,000 won, indicating insignificant differences. The majority of female-owned businesses are earning lower than 1 million won per month.

<Table 4> Sales and Profits of Female Small Businesses 2007

(Unit : Month, Thousand, %)

Classification	Sales	Profits	Profit per Month Ave
Female	702.2	23.4	153.4
Male	940.3	27.6	202.9
Average	838.0	25.8	181.6

Source: Reorganized/Edited Small and Medium Business Administration, Small Business Promotion Agency, Small Business Research Institute, and 『2007 Analysis report on actual survey of nationwide small businesses』

The preparation period of overall small business startups was 9.3 months in the case of male-owned as shown in <Table 5>, longer than their counterparts by 6.8 months. Male-owned businesses stand to invest longer preparation time on start-ups with over 2.5 months in average than their counterparts. Female-owned accounted for a higher proportion in the preparation period of less than 3 months. Male-owned small businesses comprises a higher proportion in follow-up startup preparation. Such a difference in startup preparation period appears to impact directly on management performances after business establishment and the survey shows females are at a disadvantage during the startup preparations comparing to males.

<Table 5> Preparation Period for Small Businesses Startups by Gender, 2007

(Unit: %)

Classification		Startup Preparation Period						Average Gender Mainstream
		Under 1 month	1-3 months	3-6 months	6-month to 1 year	1-2 years	Over 2 years	
Gender	Female	24.1	29.3	16.8	9.9	9.1	10.9	6.8
	Male	19.7	20.3	17.3	12.3	9.2	10.9	9.3
Average		21.6	24.1	17.1	11.3	9.2	16.7	8.2

Source: Reorganized/Edited Small and Medium Business Administration, Small Business Promotion Agency, Small Business Research Institute, and 『2007 Analysis report on actual survey of nationwide small businesses』

<Table 6> Preparation Period for Small Businesses by Motivation, 2007

(Unit: Month)

Classification		Preparation period						Average
		Under 1 month	1-3 months	3-6 months	6-month to 1 year	1-2 years	Over 2 years	
Motivation	Success Possibility	16.2	19.8	18.4	14.8	11.8	19.0	9.5
	Making money	22.1	25.4	17.0	10.6	8.7	16.2	8.0
	Succession from parents	37.4	16.3	20.4	10.2	4.8	10.9	6.1
	Professionals	17.6	17.6	8.8	8.8	8.8	38.2	12.8
	The Others	31.6	17.1	8.5	9.4	13.7	19.7	9.1
Average		21.6	24.1	17.1	11.3	9.2	16.7	8.2

Source: Reorganized/Edited Small and Medium Business Administration, Small Business Promotion Agency, Small Business Research Institute, and 『2007 Analysis report on actual survey of nationwide small businesses』

The preparation time for startup by motivations as shown in <Table 6>, shows that those opening a business primarily to make money require less preparation time, while those focused on innovations require longer-time. This suggests that people who start businesses for self-improvement and increasing success possibility have a cautious approach to startups. The results of such efforts seemed to show the differences of preparation period.

The study examined whether there is a difference in difficulties in the process of opening small businesses by gender. The survey in <Table 7> shows a difference in opening small businesses by gender. Female-owned small businesses showed a greater proportion of them are experiencing difficulties in the areas of selecting locations (21.7%), selecting target industries (6.8%), and funding (44.8%) compared to male-owned by location (17.5%), industry (5.7%), and funding (3.4%).

<Table 7> Differences in Startup Difficulties of Small Businesses by Gender

(Unit: %)

Classification		Difficulties										Total
		Location Selection	Type of Industry Selection	Funds	Regulation	Employee	Information	Management	Skill	The Others	Noun	
Gender	W	21.7	6.8	44.8	1.6	2.8	3.3	7.8	1.9	0.3	9.2	100
	M	17.5	5.7	43.5	3.4	2.4	3.5	5.6	1.6	0.4	16.4	100
Average		19.3	6.2	44.0	2.6	2.6	3.4	6.5	1.7	0.3	13.3	100

Source: Reorganized/Edited Small and Medium Business Administration, Small Business Promotion Agency, Small Business Research Institute, and 『2007 Analysis report on actual survey of nationwide small businesses』

<Table 8> Differences in Management-related Information Sources by Gender

(Unit : %)

Classification		Information Sources								Total
		Government Organization	Civil Organization	Association	Exhibition	Family	Internet	The Others	Noun	
Gender	W	3.0	1.4	13.4	1.0	32.8	1.2	2.5	44.8	100
	M	1.6	1.2	10.1	0.5	39.1	1.0	4.2	42.3	100
Average		2.4	1.3	12.0	0.8	35.5	1.1	3.2	43.7	100

Source: Reorganized/Edited Small and Medium Business Administration, Small Business Promotion Agency, Small Business Research Institute, and 『2007 Analysis report on actual survey of nationwide small businesses』

Analysis on small business startups and management-related information sources by gender shows that there is a difference in obtaining management-related information by gender as shown in <Table 8>. Female-owned small businesses showed a relatively higher proportion in obtaining information from friends or relatives compared to their counterparts. The result may imply that the accessibility of female-owned businesses to public institutions and social information sources is lower than that of male-owned. More Female-owned businesses do businesses without proper information than male-owned businesses.

2. Aanalysis of management characteristics of small businesses by gender in Busan

An inter-regional comparison targeting six cities was conducted as it is more effective to discern exact status when targeting similar urban cities rather than farms, which basically have different industrial structures.

Judging from the small business distribution by region and gender as shown in <Table 9>, while there is no significant difference in gender in the proportion by region, Busan (42.5%) showed a high proportion of women-owned small businesses followed by Ulsan 47.1%. Seoul (34.1%) showed unique phenomenon, which is lower than the national average (37.9%). Therefore, amid Busan has relatively a large number of small businesses compared to the national average, it also showed a high proportion of female-owned small businesses.

This suggests that the establishments of small businesses are focused on the service industry for individual customers, such as wholesale, retail, lodging, and restaurants. This could be largely influ

-enced by economic and industrial situation of the corresponding regions. In the given context, the study presumes that the reason behind a high proportion of female-owned small businesses in Busan region attributes that they had no choice but to resort to opening new businesses as a means of economic participation for livelihood, amid inadequate job opportunities in Busan.

Changes in recent two years with regard to small businesses by gender and region are shown in <Table 10>. Study shows the declining number of establishments of female-owned small businesses throughout the nation for the recent two years. Metropolitan areas, such as Busan (-0.026%) and Seoul (-0.037%) demonstrate a high decline rate of women-owned startups compared to the national average (-0.021). We believe more researches are required concerning the decrease of the number of female-owned small businesses hence forth.

The characteristics of individual female entrepreneurs opening business in Busan are as shown in <Table 11>. Forties were the most common age at the time of opening a business, accounting for 271 people (45.2%). A majority of female-owned small business, which is 460 people (76.7%), are high school graduates. About 561 (93.5%) were married at the time of opening a business, which implicates predicaments where they have to take care of house affairs and business management at the same time. About 400 women (66.7%) relied on their husbands for major income at the time of opening a business. We presume that a large number of female were the breadwinners of their families on their own. Based on the characteristics of female startups in Busan, we learned that a large number of female are engaged in startups from an economically and socially underprivileged situation in order to help the livelihood of family, albeit under lack of career in their forties and high school graduate background.

<Table 9> Small Businesses by City & Gender

(Unit: ea)

Classification	Female		Male		Total	
	2006 Year	2007 Year	2006 Year	2007 Year	2006 Year	2007 Year
Nationwide	1,059,207	1,036,677	1,612,721	1,579,545	2,671,928	2,616,222
7City Average	71,527	69,374	117,573	113,890	189,100	183,264
Busan	94,676	92,173	128,600	124,858	223,276	217,031
Seoul	206,057	198,404	400,017	383,853	606,074	582,257
Daegu	58,956	57,544	96,640	93,163	155,596	150,707
Incheon	50,248	48,969	79,007	78,719	129,255	127,688
Kwangju	33,306	32,623	45,938	45,074	79,244	77,697
Daejeon	30,686	29,874	44,256	43,467	74,942	73,341
Ulsan	26,757	26,033	28,553	28,096	55,310	54,129

* Source: Statistics Administration, 『2006 Analysis report on actual survey of nationwide small businesses.

** Source: Statistics Administration, 『2007 Analysis report on actual survey of nationwide small businesses.

<Table 10> Changes of Female Small Businesses by Region

(Unit: Ea)

Classification	Busan Woman	Seoul Woman	Nationwide	Note
2006 Year	94,676	206,057	1,059,207	
2007 Year	92,173	198,404	1,036,677	
Increase (%)	-0.026	-0.037	-0.021	

* Source: Statistics Administration, 『2006 Analysis report on actual survey of nationwide small businesses.

** Source: Statistics Administration, 『2007 Analysis report on actual survey of nationwide small businesses.

<Table 11> Characteristics of Female Entrepreneurs in Busan

(Unit: People, %)

Classification		Respondent	Ratio
Age When Opening Small Businesses	Under 30s	199	33.2
	40s	271	45.2
	Over 50s	120	21.7
Academic Backgrounds When Opening Small Businesses	Below High School	460	76.7
	Over University	140	23.3
Marital Status When Opening Small Businesses	Unmarried	34	5.7
	Married	561	93.5
	Divorce / Separation	5	0.8
Main Income When Opening Small Businesses	By Herself	124	20.7
	Husband	400	66.7
	family	76	12.7
Total		600	100.0

* Source: Reorganized/edited data of Choi et al. (2008), support system improvement measures for female-owned small businesses in Busan regions

** Survey Scope: Results of random sampling survey of 600 female-owned small businesses in Busan regions

The startup motivation of female-owned small business in Busan is shown in <Table 12>. 248 people (41.3%) responded that they had difficulties due to low level of income. 149 people (24.8%) responded that they wanted to operate and manage their business on their own, while 55 people (10.8%) revealed that they had difficulties in keeping fixed business hours due to the house works. Therefore, money is the major factor that attributed female in the region to engage in small businesses. Around 534 people (72.9%) said they have chosen to set up their own business because of kinds of "reactive reasons". That is not good justification for startups. There are only 205 (27.7%) female small business owners who opened their businesses based on rather proactive reasons. The figure is 2.6-times lower than reactive, which signifies that more female startups in Busan were motivated by reactive reasons, demonstrating more risks and difficulties.

The details of capital for female-owned business startups in Busan is shown in <Table 13>. As for first rank, 137 people (22.8%) were under '10 ~ 20 million won. Secondly 106 people (17.7%) were under '20 ~ 30 million won and the thirdly 94 people (15.7%) were under '10 million won. 56.2% of the overall female-owned small business in Busan regions invested under 30 million won into startup capital, while 70% invested less than 50 million won, suggesting that majority of startups are small sized.

<Table 12> Startup Motivation of Female Entrepreneurs in Busan

(Unit: ea, People, %)

Classification		1st Priority		1st Priority Ratio
		Respondents	Weight	
Reactive Reasons	Discontent with previous employment (e.g., discrimination, the job is not right for him/her)	60	10.0	534 (72.9)
	Difficulties in daily life due to low income	248	41.3	
	Difficulties finding job after being fired (due to unemployment)	12	2.0	
	Difficulties keeping fixed working hours due to housework	65	10.8	
Proactive Reasons	Experiencing operation/management	149	24.8	205 (27.7)
	For self-realization	26	4.3	
	To be an entrepreneur	4	0.7	
	To make more money	26	4.3	
	To acquire social position and honor	0	0.0	
Others		10	1.7	739(100)
Total		600	100.0	

* Source: Reorganized/edited data of Choi et al. (2008), support system improvement measures for female-owned small businesses in Busan regions

** Survey Scope: Results of random sampling survey of 600 female-owned small businesses in Busan regions

<Table 13> Capital Size of Female-Owned Startups in Busan 2008

(Unit : Won, people, %)

Classification	Under 10 millions	10 –20 millions	20 – 30 millions	Over 50 millions
Contents	94(15.7)	137(22.8)	106(17.7)	180(30)

* Source: Reorganized/edited data of Choi et al. (2008), support system improvement measures for female-owned small businesses in Busan regions

** Survey Scope: Results of random sampling survey of 600 female-owned small businesses in Busan regions

The details of startup capital proportion of female-owned small businesses in Busan are shown in <Table 14> The ratio at which female small business owners in Busan regions invest their own capital accounts for 75.35%, the highest proportion of the survey, followed by financial institutions at 13.02% and 10.4% by family (including relatives).

Only 13.02% of female-owned small businesses in Busan regions showed their borrowing money from public or financial institutes, which is a relatively low rate. This suggests that they acquire startup funding mostly from their family and relatives. Therefore we can point out that female business owners are standing outside of formal systems such as banks, investment capitals and government policies.

<Table 14> Capital Sources for Female-Owned Startups in Busan

(Unit : %)

Classification	Their Own Capitals	Family	Private Loans	The Others	Public Funds	Bank Loan
Contents	75.35	10.4	0.97	0.97	0.02	13.02

* Source: Reorganized/edited data of Choi et al. (2008), support system improvement measures for female-owned small businesses in Busan regions

** Survey Scope: Results of random sampling survey of 600 female-owned small businesses in Busan regions

IV. Conclusions and Strategic Implications

To design the current entrepreneurship training programs for female entrepreneurs more female-friendly, we need to improve overall environments surrounding training systems. We can classify the environmental improvement for women-friendly entrepreneurship training into three types as follows: First, it is needed to conduct regular surveys on difficulties female entrepreneurs may have. To develop a program for women-friendly entrepreneurship training, extensive and thorough survey is required for entrepreneurship training goals. To design women-friendly entrepreneurship training for women entrepreneurs henceforth, preliminary surveys should be carried out to detect problems within the course of the program and women's expectation regarding entrepreneurship training.

If we analyze the problems and difficulties of various female entrepreneurs, such as discontinuance based on the understanding of female life style, we will be able to reflect the desires and needs of female entrepreneurs who work hard to overcome the andocentric problems of the startup markets, the problem of family coexistence and management activities females have to experience. Ultimately, entrepreneurship training that transcends gender could be implemented including policy establishment of active startup support for women.

Second environmental improvement is to overcome the lack of information on entrepreneurship training for women. Difficulties that women entrepreneurs experience are different from their counterparts, male. 2007 Analysis report on actual survey of nationwide small businesses shows a greater proportion of difficulties faced by female businesses in the areas of location selection (21.7%), industry selection (6.8%), and funding (44.8%) compared to their male counterparts by (17.5%), industry selection (5.7%), and financing (3.4%). To overcome such difficulties, it would be necessary to reform education courses, which focuses on traditional business management courses or new business startup courses at the level of undergraduates, which is

a bit challenging for women to understand. In addition, significant reinforcement is necessary in education courses for training pertaining to economic mindset and how to write business plans including business locations and industry targets as well as funding. For women with discontinued career, the necessity of the introduction of practical training programs by level of capability should be emphasized. When such practical programs and assistant systems for women entrepreneurs are combined and implemented by capability, entrepreneurs can gain more self-confidence.

Last is about overcoming the lack of follow-up management after opening a business. According to 2007 Analysis report on actual survey of nationwide small businesses, an average monthly revenue for female owned business is 7.022 million won, lower by 2.38 million won compared to male-owned small businesses. The rate of female owned businesses whose monthly revenue is under 4 million won were higher than that of male owned businesses. Some female-owned businesses were demonstrating lower performance – average monthly earning at 1.534 million won, lower than their male counterparts. This is attributed to the lack of understanding of the importance of continued follow-up management activities after starting business. To surmount the issue, we need to organize a management improvement consulting systems focused on female entrepreneurs. Establishing networks connecting female businesses should be the most urgent measure. With this regard, if follow-up services for female entrepreneurs are provided for at least three years from the time a business is opened, it may produce even more desirable results.

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