

2001

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Robert Barbato

Richard DeMartino

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## Recommended Citation

Barbato, Robert and DeMartino, Richard, "Nonemployer businesses and career motivators among female entrepreneurs" (2001).  
Accessed from  
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# Nonemployer Businesses and Career Motivators Among Female Entrepreneurs

*Robert J. Barbato, Ph.D., Rochester Institute of Technology*  
*Richard DeMartino, Ph.D., Rochester Institute of Technology*

## *Contact Information:*

Robert Barbato  
College of Business  
RIT  
Rochester, NY 14623  
(716) 475-2350  
[rjbbbu@rit.edu](mailto:rjbbbu@rit.edu)

## **Introduction**

Women are starting new ventures at two to three times the rate of men, and the number of women owned enterprises is quickly approaching that of their male counterparts. According to the American Enterprise Institute there are now 9 million women-owned businesses, and this does not include home-based and other micro businesses that don't employ people. This represents a 250% increase in the last 8 years. Women-owned firms employ over 18 million workers and account for over \$2.3 billion in annual revenues.

The number of women entrepreneurs as well as the growth in numbers argues for additional understanding of the differences that exist between male and female entrepreneurs. However, comparisons between male and female entrepreneurs

often suffer, because studies don't often control for other differences that exist between males and females. The impact of gender differences remains unresolved because differing backgrounds and education levels between male and female entrepreneurs are difficult to avoid. This study attempts to resolve that issue by comparing entrepreneurs who are similar in backgrounds and education level.

For this study, a sample of MBA graduates from a top 15 business school, who started their own business was chosen. In this case, the two groups share an education and a credential that is valued in the workplace. This study will explore differences that emerge from this common base in order to draw conclusions about gender gaps among entrepreneurs.

## Self Employed Women Entrepreneurs and Career Flexibility

This study will focus on those entrepreneurs in this survey who classified themselves as self-employed. Others who have studied these entrepreneurs often use the term nonemployer business to describe the enterprise of a self employed entrepreneur. However, it should be noted that about 1 million self employed entrepreneurs do have employees, and these are not included in the statistics on nonemployer businesses.

A nonemployer business is an enterprise that has no paid employees. The US Census Bureau collects data on these businesses and uses the following definition:

A nonemployer business is one that has no paid employees, has annual business receipts of \$1,000 or more (\$1 or more in the construction industries), and is subject to federal income taxes.<sup>1</sup>

According to the most recent census data, there are about 16 million nonemployer businesses in the US and they account for \$650 billion in revenues each year. This compares to recent data on self employed entrepreneurs, who account for about \$757 billion in annual revenues.<sup>2</sup> More than 4 million self-employed entrepreneurs are women, and, like small businesses in general, this growth of the number of self-employed

women is five times greater than that of male self-employed.<sup>3</sup>

Data from the above mentioned survey were collected from MBA graduates who identified themselves as entrepreneurs. This group of entrepreneurs then further classified themselves by selecting among the choices: "business owner" or "otherwise self-employed". Most female entrepreneurs (58%) do not own a business; rather, they describe themselves as self-employed. In contrast, 80% of the male entrepreneurs own a business, in most cases one that they started.

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<sup>1</sup> US Census Bureau website, <http://www.census.gov/epcd/nonemployer>

<sup>2</sup> Source: SBA self-employment study, State of Small Business Report, 1996

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<sup>3</sup> Census Bureau, March 1997 Current Population Survey

Type of Business Established  
Entrepreneurs (20 yrs or less)

Table 1

Group	Business Ownership	n	Otherwise Self- Employed	n
Entrepreneurs	71%	182	29%	73
Women Entrepreneurs	42%	25	58%	34
Men Entrepreneurs	80%	157	20%	39

The purpose of this study is to examine the relationship between the desire for career flexibility and the decision to become self-employed. As can be seen

from table 2, women entrepreneurs indicate that career flexibility is more important than male entrepreneurs.

Preferences by Gender  
Entrepreneurs (20 yrs or less)

Table 2

Factors	Women	Men
Career Flexibility	85%	51%

This trend continues when examining those entrepreneurs who classify themselves as self-employed. Seventy-five percent of the self-

employed indicated that career flexibility was very important, while only 52% of those who own a business indicated that career flexibility was very important.

Career Flexibility and Preferences by Type of Business  
Entrepreneurs (20 yrs or less)

Table 3

Factors	Business Ownership	Otherwise Self- Employed
Career Flexibility	52%	75%



When these figures are viewed by gender the above trends persist. Both women and men who are self-employed

possess a higher intensity of preference for career flexibility.

Preferences by Type of Business  
Entrepreneurs (20 yrs or less)  
Table 4

Factors	Women Business Owners	Women Otherwise Self-Employed	Men Business Owners	Men Otherwise Self-Employed
Career Flexibility	79%	89%	49%	61%

It is interesting to note that, while self-employed women are more inclined to state that career flexibility is more important than women business owners, the same is even true for male entrepreneurs. In fact, the differences between male business owners and male self-employed is slightly greater than the differences between women business owners and women self-employed. That is to say, when compared to their female counterparts, male self-employed value career flexibility to a greater extent than male business owners. Put another way, the desire for career flexibility increases by 25% when comparing male self-employed to male business owners, while the desire for career flexibility increases by only 12.5% in the case of female entrepreneurs.

#### Conclusion and Discussion

The finding that male self-employed entrepreneurs, when compared to female self-employed entrepreneurs,

show a larger increase in the desire for career flexibility than the business owners may come as a surprise to those who assume that career flexibility is less important for male entrepreneurs. The explanation for this is due in large part to the smaller base of male entrepreneurs who are self-employed and desire career flexibility. Nevertheless, it is important to acknowledge the importance of career flexibility to male entrepreneurs, and to understand that many male entrepreneurs may be choosing self-employment as an option, because of the need to maintain career flexibility.

Previous research has shown that the desire for career flexibility is greater in those entrepreneurs who have dependent children.<sup>4</sup> This study did not raise the question of whether male entrepreneurs are seeking more career flexibility because of family issues, and

<sup>4</sup> DeMartino, Richard and Robert Barbato, "Gender Differences Among MBA Entrepreneurs", *Proceedings of the National SBIDA Conference*, 2001.

therefore choosing self-employment more often during those years when they have dependent children in the household. Further research should examine the extent to which those self-employed male entrepreneurs who have dependent children indicate a greater desire for career flexibility compared to their female counterparts.

In addition, the relationship between career flexibility and other career motivators needs to be studied more carefully. An analysis that describes the extent to which male self-employed who indicate a desire for career flexibility also indicate a desire for other family friendly career motivators would be illuminating. Also, those MBA alums surveyed who are not entrepreneurs, but who indicate an intention to become entrepreneurs may shed some light on this issue. Further research in this area should be undertaken. As more and more individuals seek entrepreneurship as a career choice, future researchers need to better understand the role that career flexibility plays in that decision, and how it impacts the type of business that entrepreneurs pursue. Differences among the genders will continue to be an important area for further inquiry.