

Chapter 9

Exports and Female Entrepreneurs: Foreign Influence and Domestic SME Exports

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ABSTRACT

The UK's decision to leave the European Union based on the 2016 referendum has created considerable uncertainty in the UK economy. For UK small and medium sized enterprises (SMEs) looking to survive, export markets may become more important. This chapter examines the impact from the presence of foreign direct investment (FDI). The influence of gender on this relationship has not been previously investigated. Using data from the Global Entrepreneurship Monitor (GEM) regression approaches are applied. A negative relationship is found between foreign influence and export propensity and intensity. No evidence is found for female entrepreneurs as a whole being affected to a greater extent. However, female entrepreneurs with less human capital are affected to a greater extent. These findings suggest that when seeking to attract FDI policymakers must be aware of the potential negative consequences. Training offered to the most vulnerable female entrepreneurs in collaboration with foreign affiliates might counter any negative effects to achieve greater positive knowledge spillovers.

INTRODUCTION

There has been considerable debate about the impact that Foreign Direct Investment (FDI) has upon home grown enterprise (Pathak, Laplume, & Xavier-Oliveira, 2015). Theory suggests that both positive and negative mechanisms may be present, whilst different empirical studies find evidence of both a positive and negative overall effect. One particularly important relationship to consider is whether greater

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foreign business ownership in an area assists or restricts the exporting behaviour of domestic firms. Theoretically both relationships are possible with a negative relationship coming from competition for resources and markets (Brush, Edelman, & Manolova, 2002). A positive relationship on the other hand may be attributed to: improved productivity from technological and managerial spillovers (Blalock & Gertler, 2008; Del Giudice, Arslan, Scuotto, & Caputo, 2017; Del Giudice, Scuotto, Garcia-Perez, & Petruzzelli, 2018); positive selection of competitive domestic firms (Del Giudice, Scuotto, Garcia-Perez, & Petruzzelli, 2018; Kneller & Pisu, 2007); and experience selling to international companies (Barbosa & Eiriz, 2009). Empirical evidence has found both a positive (Thompson & Zang, 2016) and negative (Greenaway, Sousa, & Wakelin, 2004) relationship overall.

What has been examined less, however, is whether any relationship that is found is equally applicable to male and female entrepreneurs. Studies, such as Klapper and Parker (2011) have found differences in entrepreneurial engagement and firm performance for male and female run business, but others do not always find significant differences in male and female entrepreneurs' propensity to export (Grondin & Schaefer, 1995; Westhead, Wright, & Ucbasaram, 2001). Others, however, suggest that for many female entrepreneurs factors such as traditional gendered roles in family life inhibit exporting ambitions (Welch, Welch, & Hewerdine, 2008). Other studies whilst not directly exploring gender have found a negative coefficient on any gender dummies included in calculations (Thompson & Zang, 2016).

This chapter explores the foreign influence domestic enterprise export relationship, but seeks to understand the role played by gender. It seeks to answer the following research questions: (1) do female entrepreneurs export less than their male counterparts?; (2) does foreign influence in the local economy affect the export behaviour of male and female entrepreneurs symmetrically?; (3) do the characteristics of male and female entrepreneurs lead to different foreign influence - domestic export relationships? By answering these questions this study provides entrepreneurs and policymakers with a more complete understanding of how policies to attract FDI impact on the export activities of domestic entrepreneurs, particularly the growing number of female entrepreneurs. The results provide policymakers with guidance on different policies to target particular male and female entrepreneurs. The findings of the study will have particular relevance as the UK approaches its break from the European Union (EU) as domestic demand may suffer considerably.

In order to answer the research questions set out above the study uses UK individual level data from the Global Entrepreneurship Monitor (GEM) and that from the Office for National Statistics (ONS) covering foreign firm employment. In order to control for entrepreneurial and firm characteristics, a multivariate approach is adopted with logit, ordered logit and multinomial logit regressions utilised. The study goes beyond inclusion of simple dummy variables to represent gender, but instead splits the sample to understand how the foreign influence – export relationship differs for the genders and to what extent differences in export propensity and intensity can be explained by differences in factors such as sectoral distribution. The study also explores whether foreign firm influence interacts with the characteristics of entrepreneurs or their businesses to answer the third research question.

The remainder of the chapter is structured as follows. In the next section we briefly introduce the relationships between foreign influence and domestic entrepreneurship in general, these are then examined specifically in the context of domestic entrepreneurs' exports. The evidence for differing export behaviour of male and female entrepreneurs and how foreign influence may play a role are then investigated in the fourth section. The data and methods used to examine this relationship are then presented in detail. The sixth and seventh sections then present the results and the conclusions that can be drawn for policy and practice respectively.

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