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The contradictory but promising picture of female entrepreneurship and the activity of the Hungarian business angels from a gender-perspective

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Behind the global problems are basically the power aspirations that lead to the irresponsible use of resources, the choice of values that are in the way of sustainable development. The greater participation of women in decision-making due to their different priorities is decisive in mitigating the increasing social inequalities, the preservation of the environment, the elimination of war conflicts and their consequences.

The main obstacle to women's empowerment is their low weight on the economy, and the limitation of their economic independence. To increase the influence in existing power structures, it is essential to strengthen their autonomy, autonomy and social needs, which is an effective tool for women's own businesses to grow. Modern IT and communication technologies overcome the mobility constraints stemming from the reconciliation of family and work, so women's businesses that build on their use can be set to grow. For this, the angel investment, which is the most dynamically developing model of early-stage development in the last decade, can be an excellent aid.

At the same time, however, societies in which political decision-makers and opinion-forming actors strive to maintain a subordinate position among women, strengthen social stereotypes affecting women and the traditional gender roles, gender-specific income - and thus ultimately power inequalities (Blau, 2012).

It is therefore of the utmost importance to create an angel investor circle familiar with the characteristics of women's entrepreneurial activities. The aim of my article is to present - as part of my doctoral thesis is comprehensive, dealing with women's safety issues - what is happening today in Hungary between women's businesses and angel investors.

Introduction

The business angel activity started from America in the early 20th century. The contemporaries attached this name to the financiers of cultural programs.¹ Today's business angels are informal risk investors who invest their own money into start-up businesses with promising growth potential and - very rarely - invest in social enterprises.

In decision-making for angels in investing, unlike purely venture capital investors, rationality and emotion mix in different proportions: on the one hand, they strive to make good their money's money and, on the other, they are guided by beliefs „of faith“. It's no coincidence that in the international literature 3F is called "friends, family and fools" (Clercq et al., 2006).

The motivations of business angels may be quite mixed. Some people specifically and primarily have their own business interests in mind, benefiting from a very favorable tax incentive in some countries (such as UK, 100%). Others strive to gain social benefits, as they represent a great deal of prestige in some countries and strata, entail community recognition if they are business angels. But the same relevant motivation may be the satisfaction of one's own interest, the desire to utilize the acquired knowledge, and the simple play of the game. And it is also common to help others, friends or even talents, and contribute to the spread of something socially useful product or service (Harrison & Mason, 2007).

The different motivations behind the angelic activity may vary according to their effect, their significance extends beyond the personal level. Indeed, the activity of a business angel based on risk-taking and ownership of an autonomous individual can also be a responsible, socially responsible, business-oriented business that can represent a huge potential for social, economic and environmental sustainability.

The value choices of business angel communities can therefore be of great significance in shaping societies. If social responsibility has a meaningful role in the motivation of business angel activity, wealthy layers can generate a real change in a society, even globally.

Recognizing the severity of global and local social, economic and environmental problems, the development of awareness and relevance for relationships in the social and financial position is of particular importance. My scientific activity, as well as my civil organization leadership, is aimed at contributing to the growth of this awareness and responsibility, to empowering women. A series of research proves that the aspects of sustainability and equal opportunities are close to the priorities² of women, so that these aspects can be more widely used with greater social influence.

¹ A brief history of angel investing,
<https://www.syndicatoroom.com/learn/overview/angel-investing>

² <http://www.hbs.edu/faculty/conferences/2013-w50-research-symposium/Documents/eagly.pdf>

The business angel, therefore, is an important issue for the social utility of an activity, how do investments promote the social role of women, and how do they support women to support other women as their social role.

In my present paper, I present the importance of women's entrepreneurial activity for the role of women in society, which can be deduced from gender-based stereotypes, and the specificities of the entrepreneurial activity, the characteristics of the business angel investment, the current Hungarian tendencies, the organization of female business angels. At the same time, I give consideration to analyzing who and what steps could be taken to enable business angels to play their social role in promoting sustainability and gender equality.

To this end, we summarize facts related to domestic women's businesses, data on the prevalence and sectoral distribution of women's businesses and their access to finance. A recent 187 people, non-representative survey³ of some of our data was obtained. In order to explore the activities of Hungarian business angels, business angels (women and men) supporting women's businesses, we conducted primary and secondary research: we studied Hungarian and international literature, we conducted interviews with angels, and improved access to and knowledge of active and potential angels. we have prepared an online questionnaire⁴ for themes.

The characteristics of women entrepreneurs and women entrepreneurs

The importance of women's businesses

The possibility of realizing full life is not equally guaranteed for women and men - as shown by the gender inequalities present in all levels of society and economy. The changes of female gender roles did not result the same transformation of male roles: most of the world's societies are still based on the male breadwinner model. Having a decent income is still a secondary social expectation for women. The primary basis for the appreciation of women is to comply with biological roles: an attractive appearance, maternity and care, which captures a significant part of women's energies. Therefore, although they are more educated today than men (64% of university and college students in Hungary are women), their participation in the labour market or business, and their economic independence is limited, their earnings, pension and wealth are significantly smaller.

Women's income is a great necessity for families and society as well. Women's participation in the labor market is growing, and the importance of women leaders in the profit-maximizing companies is also increasing. However, these organizations are limited in building and maintaining culture and practices that hinder the reproduction of women's disadvantages. Female leaders are advancing in these companies by developing their own

³ <https://goo.gl/forms/0NO1tnJnUHj3HnTm1>

⁴ <https://goo.gl/forms/5uBfRqvhC4XIOcRk2>

coping techniques and few have a real power position. Research shows that if they succeed in stabilizing their leading role, female leaders are more likely to represent equal opportunities, welfare, environmental aspects, tolerance, understanding values, engagement, democratic participation-based leadership style.⁵

Women's own businesses, their economic power, their self-defeating skills, their self-responsibility and their own fate, can increasingly represent values beyond the patriarchal value system: the welfare of children and other vulnerable people, care, the environment and the protection of global security. Thus, the key element of social, economic and environmental sustainability is the extension of the personal autonomy and rights of women and the strengthening of their businesses.

The impact of gender-based stereotypes and gender roles on business

The word entrepreneur is evoking a picture overall in the world of a man, typically in Hungary we imagine a decisive, pushy man in his mid 1940s. Women's enterprise, as a *definiton*, is hardly known: even for some experts on enterprising interviewed in our previous research on women entrepreneurs, it was not clear how to define a female entrepreneur. The basic criterion for an enterprise is the ownership: at least 51% of the ownership should be in the hands of one or several woman, who hold(s) the majority for making key decisions on strategy and operation

Types of women entrepreneurs in the light of gender roles. The women's life strategies offered by the patriarchal society all over the world are fundamentally divided into three distinct groups among entrepreneurial women as well:

- Dependency: the provision of homework, long-term absence from the labor market.
- Combination strategy: limited participation in the labor market subject to private life.
- Career strategy: the aim is to have a lasting presence on the labor market, exploiting the abilities, and earning on their own (Bernhardt, 2000:10).

Women entrepreneurs following the „dependency strategy” (their priority is the home) contribute to the development of their husband's/partner's firm, they are perceived by the environment, often by even themselves as the helper. Their business activity is basically related to the men's activity. Those who are choosing the combination strategy can also work in a joint venture with a husband/partner but they are less likely to remain in the background, their involvement can be based on skill-based division of labor, and their contribution to the success of the business is recognized by their

⁵ <http://www.hbs.edu/faculty/conferences/2013-w50-research-symposium/Documents/eagly.pdf>

associates and the outside world. In this case, another form of the combination strategy is the enterprise as an ancillary activity.

A significant part of female businesses is one-person enterprise, their majority are also following the combination strategy (self-limitation of the work activity with the aim to fulfill family obligations): the decisive aspect of the day-to-day operation of the enterprise and one of the main obstacles to their growth is the pursuit of family and work compatibility.

Women entrepreneurs with a career strategy do not limit the development of their business: if they need more working hours, they work more hours, they are ready to hire employees, they may also travel, etc. These are usually childless young women or, in very small numbers, women with elder children, and with outstanding professional and time management skills, and also supportive family backgrounds.

Gender-based stereotypes and sexist culture and behavior are present in all the arenas of life, including in business. Thus, how a female entrepreneur can build his or her entrepreneurial activity along the strategy depends largely on the degree of rigidity of views on the biological determinations of gender roles in a given society, the level of discrimination awareness, the social need for eliminating gender inequalities and support.

Disadvantages of women entrepreneurs. The gender roles, the stiffness of the female image and the socialization that sustains it, are the result of the existence of many stereotypes of female entrepreneurship, which determine the conditions for starting a business, the business activity and its growth prospects:

- Women are engaged in business activity in a smaller proportion. One third of entrepreneurs are women (Vajda, 2014:111).
- Women's businesses run 90% of micro-enterprises, single-person enterprises, do not hire or only employ a small number (vertical segregation).
- Women's entrepreneurship is often a complementary activity.
- Women's businesses are mostly women's activities (horizontal segregation): they carry out activities related to women's roles in a female clientele.
- Hence, their income from the enterprise is also lower than the income of the businesses owned by men.

The capital adequacy of women's businesses is much lower from the start it has been compared to businesses headed by men:

- The starting capital is more limited by the lower savings due to their lower earnings.
- They decide less independently than men on the use of family savings for entrepreneurial activity and men are less supportive of female entrepreneurship than vice versa.
- They involve less investors.
- Their willingness to take risks is lower and therefore take less credit for starting a business.

Women's business growth is also lower than for men-led businesses for similar reasons:

- their accrued income is more likely used for family life-related purposes.
- They are less oriented towards growth, as *women's primary goal* - necessarily in the longer term - is to create a *work-family* balance.

Demographic characteristics. The existence of personal qualities that are compensating for gender-based socialization and restrictive female image (self-confidence, risk taking, determination, etc.) are especially important for women entrepreneurs. It is no coincidence that 85% of female entrepreneurs participating in our survey have a higher education degree and have previous success path in their employment history, and that the launching an enterprise is rarely included in the young women's girls and women's career prospects. Women tend to be orientated towards „feminine“ professions that are compatible with family roles. No coincidence that there are very few women among in technology-based businesses, among start-up owners, their proportion is about 10%.

In our online survey, the young age group (20-29 year olds) represented only 3.3% of respondents. The two largest age groups consists of those women who probably have the biggest difficulties to restart their career and attune work and family, women between 30-39 years (42.1%) and those between 40-49 year olds (35.5%), but those above the age of 60 were responding in a larger number than the youngest ones (5.3%).

Nearly 80% of woman entrepreneurs live in a town, but only 16.6% of them are living in the capital (the share of he population is more than 20%), which indicates that the job market is a determining factor for women to start an enterprise. Budapest, however, plays an outstanding role in business development infrastructure (training, financing, etc.) and business opportunities.

Women entrepreneur's lifestyle. Only one third of the respondents work with their business 8 hours a day or more. This may mean that the business is profitable, well-organized, it does not require more work, but it may also be an indicator that women entrepreneurs has other type of activities too. As for the mobility, 1/3 of them spend less than one hour per week on travel linked to their business which means that they are working mainly from home. For female entrepreneurs, the support or lack of support of the husband/partner, the contribution to the business activity, the division of home-work, etc. is a very important circumstance.

According to our survey, the participation of husbands/partners in decision-making and counseling is the most striking, the assumption of concrete tasks, the direct involvement is much less typical. At the same time, nearly 40% of husbands/partners do not participate at all in parenting, and more than 1/3 in housework. The traditional roles dominate in the private life which is a core obstacle of growth of female enterprises.

Starting a business: capital and planning. One third of the respondents claimed that her husband/partner financially supported the start of her business, but at the same rate they stated that their venture did not need

any starting capital. Nearly 40% said that raising the money was not a problem for them, and 22% could handle it. Hardly 4% relied on external sources.

It is not surprising at all: the start-up capital of the companies filled the survey is extremely low: only in 30% of the cases it exceeded 1 million forint (cca 3200 Euros) and only 0.73% enterprises had an initial capital more than 3 million forint (in the range of 10 000 Euros). In 56% the starting capital did not reach 300 thousand forint (less than 1000 Euros), the proportion of the companies with the sum of between 1-3 million forint (3000-10000 Euros) was 44%. Thus, those whose family status suggests greater economic independence – the singles – are somewhat bolder in making investment decisions. At the start of the business, they were most likely to have parental assistance, but the majority of them typically did not have any kind of relatives and friends to help. The ones, who filled the questionnaires received tender sources and bank loans is very few cases. Proper planning is an important part of a successful business. Although earning an independent income was the most important issue among the direct motivations of their reasons why they started the, 45% of respondents have not made any initial calculation about the return. The business plan was just over 1/10 of the start.

Horizontal and vertical segregation of female enterprises. For the analysis of the activities of women's businesses, the evaluation of their results and the understanding of female entrepreneurs' attitudes, it is essential to raise awareness that women's businesses are fundamentally gender segregated. While in manufacturing, the share of female entrepreneurs is only 17%, it is 68% in services, and 66% in social and health services. ⁶

Segregation is also reflected in the nature of their clients: 76% of entrepreneurial women are mostly women, hardly 7.6% of them are men and the proportion of those whose customers are men and women equally is only 1.4%. Basically, they meet everyday needs, a large number of their clients are private individuals or private companies, only a smaller proportion have clients from the public sector or work for diverse sectors. More than half of the enterprises are one-person organizations. Almost 80% of entrepreneurs do not have any employees at all, 1/10 of them work with 1 employee, 2% is the share of enterprises with more than 10 employees. 98% of women led businesses are micro-enterprises. More than 60% of women entrepreneurs do not have any other contributors to their business activities than an accountant.

Growth prospects. Financial success and profitability are an essential component of entrepreneurship, but in case of women, the priorities about success criteria are different. Their strategies are mostly build around male breadwinner concept: only 1/5 of the respondents considered that to ensure the family's livelihood is the utmost importance and only 20% of them think that the expansion and investment is the most important for their

⁶ <http://visegradrevue.eu/their-own-bosses-female-small-business-entrepreneurs-in-the-v4/>

enterprise. The objective of growth itself is not particularly motivating for Hungarian female entrepreneurs.

Language and ICT skills. A possible direction for business growth may be the move to international markets, which requires language and IT skills. The knowledge of languages and IT skills of Hungarian female entrepreneurs typically needs improvement, but they are much more satisfied with their IT skills.

Use of loans: needs and opportunities. The use of external resources for the expansion of the company is not figuring among the plans of the entrepreneurs involved in the survey. Less than 5% have or had bank loans, they do not think to contact private investors and only slightly more than 13% think that they will borrow some money from a bank. More than 80%, completely reject the idea of borrowing a bank loan. Those who have already borrowed have a negative experience in a relatively large share. Nearly 8% said they did not have access to the necessary external funding, and less than 54% confirmed that their experience was benefiting.

Women's entrepreneurs are considered not only to be the target markets of their financial services, but the banks are working to strengthen women's businesses: beyond the product they are also organizing programs for skills development and knowledge transfer training, mentoring services and their relationship building. However, the strategic, non-sensitive financing approach is very limited in financial markets.

Apart from the different preferences and motivations of women, which define their ideas and decisions about funding, they are less risk-taking than men by gender-based socialization. The different characteristics of their business, as regards the size of the business and the sector's affiliation, also affect the way in which banks think of their business potential and creditworthiness.

The increase in female entrepreneurship through external financing is limited not only due to the lower capital requirements of female entrepreneurs but also *because of investors' attitude, ie both on the demand and on the supply side.*

*Gender-based stereotypes also affect financial decision-makers (Malmstrom et al., ****:3) according to Swedish research conducted by venture capitalists, there is a strong stereotype for female entrepreneurship: whether their experience or reliability can be questioned (Malmstrom et al., ****).*

Female entrepreneurs as investors

64.4% of female entrepreneurs reached by our survey owns one firm, but more than 25% of them have more than one, and 7.4% have a share in more than two companies.

Given that the business angel activity is a peculiar entrepreneurial activity, the general limitation of women's participation in businesses, relatively low growth prospects, their potential, generally low capital

adequacy, the prudent company building practice of entrepreneurial women, their limited leadership experience limits their becoming an angel investor.

In contrast to the layer of women entrepreneurs reached by the questionnaire, there is a limited circle of female entrepreneurs who possess more sufficient assets and professional experience to become an angel investor. Even if as business owners they actually focus on the growth and expansion of their own business if they think about investment or they provide financial assistance to their family businesses - they invest their private property in a business.

The reasons for the low prevalence and volume of private investment in the developed capitalist countries are due to the shortcomings of the business environment surrounding businesses and the characteristics of Central Eastern European history.

The historical, social and ideological context of entrepreneurial activity in Hungary

Similarly to most of the post-socialist countries in Hungary, the business has been left out for several generations, as an opportunity for survival, a form of livelihood. In Hungary before the World War II, the outstandingly successful representatives of the company were primarily Jewish traders and craftsmen. Despite the Holocaust and the communist nationalization, there was a small craft industry, but the socialist system did not allow the accumulation of significant assets. Hence, the number of family businesses that have contributed significantly to the creation of entrepreneurial culture, traditions, values or the involvement of women in business, typically family heritage, in the developed capitalist countries is very low.

As a consequence of the fast changing elite and their clique-building activity of the, which is a frequent occurrence in history, there is also a very low level of cooperation, a culture of social trust.

The authoritarian social structure did not favor the development of a cooperative, success-oriented business-friendly culture, and the Prussian education system crossing the systems, punitive and obedient education encouraged less self-confidence, avoiding failure, melting into the average, and Hungarian society lacking the atmosphere of aid and assistance: we do not tolerate failure, we suspect success, we cut ourselves off from opportunities because of envy.

According to Eurobarometer's 2016 survey⁷, the concept of business involves only a more negative judgment in Romania. This is due to the fact that the origin of much of the wealth created after the change of the regime can not be separated from the privatization and politics soiled by corruption. The fast fortune of some notorious entrepreneurs can be directly questioned

⁷ http://ec.europa.eu/growth/tools-databases/newsroom/cf/itemdetail.cfm?item_id=8833&lang=en

by transactions that are related to the underworld, oil spurs, in the 90's a few big killings occurred which got great publicity, when entrepreneurs had showdowns with each other in a Wild West manner.

The questioning of the origin of wealth has only partially changed since the 90's, there is great suspicion around suddenly wealthy entrepreneurs. For prostitution trafficking and the porn industry one of the capital is still today Budapest, and even the Liberal Press celebrated the third richest man in Hungary as Entrepreneur of the Year in 2014, who has been enriched by the online porn industry.

The consequence of the post-socialist past is that it builds a wealth of assets or private or invests in private goals, relatively few people are thinking of participating in another business.

On the other hand, the concept of business was linked to unemployment: with the transformation of the structure of the economy and the disappearance of the socialist industry and agriculture masses lost their jobs. Elsewhere, they have resolved to retain jobs, cheaper employment due to high contributions, to employ employees as entrepreneurs. For both reasons, a large crowd was created, these are the so-called forced businesses. There are still constraints behind the creation of micro-enterprises, which in the case with female entrepreneurship are presented as so-called push factors, which are related to career obstructions or private life constraints.

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