

Women Entrepreneurs the Relevance of Business Incubators

*Dr. Wasila Abdulaziz Elashag
Petroleum Department
Faculty of Engineering
Tripoli University*

Abstract:

Libya faces a massive problem of unemployment. The economy, given its present production and investment structure, is unable to create formal wage employment for high percentage of its labour force. The problems of unemployment and poverty have been particularly acute for women. Women have had limited access to material resources, land, capital and education, and owned less of existing businesses.

Women movement endorsed the enhancement of women's consciousness and abilities, with a view to enabling women to examine their situations and to act to correct their disadvantaged position. The

movement also affirmed that giving women greater access to resources would contribute to an equitable and efficient development process.

Small and medium businesses have been offering women opportunities for economic expression through employment and entrepreneurship. Gradual movements towards enhancing entrepreneurs will quicken the pace on the road to gender equality, especially given the fact that women represent more than 50% of the Libyan population.

The paper deals with a theoretical background on the issue of Libya's problems of unemployment especially for women. Different views from different perspectives are used to describe initiatives to encourage entrepreneurial development. The promotion of Small Business and the creation of business incubators offer an important vehicle to addressing the challenges of job creation, economic growth and equity.

1 Introduction:

“To overcome gender inequalities in labor, market and economy, provisions must be taken to include women's strategic interests in related policies and to uphold women's employment and entrepreneurship.” (Purrini, 2011)

Libya had an unemployment rate of 19.50 per cent in 2011 (The Libyan Report, 2013). The problem is acute for women with 18 per cent unemployment rate. Social norms tend to grant women limited access to material resources, land, capital, and education. Economic plans are aspiring wealth and employment creation, more equal income distribution and endogenous growth. Small and medium-sized enterprises (SMEs) are expected to be flexible and therefore able to react quickly to the liberalisation of the Libyan economy while playing a decisive role in local economic development.

The availability of entrepreneurs may be considered one of the most important prerequisites for economic development. Without entrepreneurs it becomes the task of the state to organise development.

The development of female Small Business offers an important vehicle to addressing the challenges of job creation, economic growth and equity. “The stimulation of SMEs must be seen as part of an integrated strategy to take this economy onto a higher road – one in which our economy is diversified, productivity is enhanced, investment is stimulated and entrepreneurship flourishes” (OECD, 2004).

According to the International Finance Corporation, 2011 women are starting businesses at a faster rate than men and are making significant contributions to job creation and economic growth. In the United States, for example, women-owned firms are growing at more than double the rate of all other firms (23 per cent and 9 per cent respectively) and have done so for nearly three decades. They contribute nearly \$3 trillion to the U.S. economy and are directly responsible for 23 million jobs. New data projections also suggest that future job growth in the United States will be created primarily by women-owned small businesses. In Great Britain women are one - fourth of the self-employed sector. In the European Union (EU) one - third of new businesses are started by women. In Canada, women own 47 per cent of small enterprises and account for 70 per cent of new business start-ups (International Finance Corporation, 2011).

According to recent data projections from the Guardian Life Small Business Research Institute, future job growth in the United States will be created primarily by women-owned small businesses and by 2018 women entrepreneurs will be responsible for creating between 5 million and 5.5 million new jobs (International Finance Corporation, 2011). That’s more than half of the 9.7 million new jobs the Bureau of Labour Statistics (BLS)

expects small businesses to create, and about one-third of the total new jobs the BLS projects will be created in that time frame (International Finance Corporation, 2011).

One specific objective has to be underlying the support frame work of the national small-business policies of Libyan order to facilitate equalization of income, wealth and economic opportunities, with special emphasis on supporting the advancement of women in all business sectors.

Therefore the paper's key issue is, first, addressing whether women entrepreneurs face specific problems in setting up businesses that are different from those faced by male-owned businesses. Second, suggesting initiatives that aim to address the imbalance in business ownership. Finally, arguing if business incubators can help encourage women to start-up businesses with all the necessary resources to evolve and grow.

2 Women Entrepreneurs: the challenge:

Like young entrepreneurs, women may have particular problems with raising finance and may have had less chance than most men to accumulate the confidence, skills and contacts necessary to start and run a successful business. In addition, gender discrimination by finance and support providers, customers or employees may be an issue. Some previous research suggested that it is more difficult for women to raise start-up and recurrent business finance than men and that woman are more likely to encounter credibility problems when dealing with bankers (Carter and Cannon, 1992).

Women face discrimination in the workforce. ILO data indicate significant gender differences, with women having considerably higher unemployment rates than men. In addition, men and women perform different jobs and so-called "women's jobs" are often assigned a lower

value in terms of skill requirements and remuneration. Research found that approximately half of the world's workers in gender stereotyped occupations where one gender predominates to such an extent that these occupations could be considered "male" or "female". Not only do men and women have different jobs, but there are also differences in the extent to which they are represented in the hierarchy of positions within jobs. Even in occupations dominated by women, men occupy the "more skilled", "responsible" and "better-paid" positions (International Labor Office 2004).

Women movement endorsed the enhancement of women's consciousness and abilities, with a view to enabling women to examine their situations and to act to correct their disadvantaged positions. The movement also affirmed that giving women greater access to resources would contribute to an equitable and efficient development process (Parpart et al, 2000).

Small and medium businesses have been offering women opportunities for economic expression through employment and entrepreneurship. Gradual movements towards enhancing entrepreneurs will quicken the pace on the road to gender equality especially if we know that women represent more than 50% of the Libyan population (The Libyan report, 2013).

Business ownership is much less common among women than men (IndexMundi, 2013), and the need for entrepreneurial development is consequently much greater among women.

Recent efforts to emphasise the development of female entrepreneurs could be because men were favored at the expense of women when it came to entrepreneurial assistance. That why encouraging female entrepreneurship could in this context be seen as an attempt to tip the scales for a more even distribution of entrepreneurial aid.

3 Initiatives to Encourage Entrepreneurial Development:

There is no consensus on appropriate policy models and the role of the state in encouraging entrepreneurship. However, there ought to be concerted effort to develop an initiative to encourage entrepreneurship among women. Three public policy models have been traced in the literature to encouraging entrepreneurship.

3.1 The Laissez – Faire Approach:

This approach allows entrepreneurial start-up, survival, growth or decline in a market economy to develop spontaneously without any assistance or interference from the state. Whatever happens in the marketplace is seen as part of the business game (Peterson, 1988). It is doubtful whether underdeveloped and developing economies, with limited resources and serious unemployment, can afford the laissez-faire approach to small-business development (Davenport, et.al, 1995).

3.2 The Limited - Environment Policy Approach:

In terms of this approach, government participation is limited to creating a favourable tax climate and an enabling economic environment (Peterson, 1988). Although this approach is more encouraging than the laissez-faire approach, it may not offer enough to small businesses in the underdeveloped and developing economies (OECD, 2004).

3.3 The Strategic Interventionist Approach:

This is the opposite of the laissez-faire approach. In this case governments actively encourage small-business development through favourable tax concessions, deregulation and educational training for entrepreneurs. The strategic interventionists assume that the basic economic infrastructure is available or being provided. Further aid

encompasses financial aid packages, counselling programmes, procurement policies and programmes, and effective business advocacy programmes that alert bureaucrats to the economic benefits of small-business development (Goodman *et al*, 1992). There could be additional aids to promote the development of an entrepreneurial culture.

The strategic interventionist in principle addresses most establishment needs in the small-business sector and should by implication be suitable for men as well as women.

4 Problems Facing Female Entrepreneurs:

Women are as qualified as men to succeed as entrepreneurs, but they suffer two distinct disadvantages. First, there is the initial lack of confidence in their abilities. Years of accepting a subordinate status and strict role segregation have left women lacking in confidence to venture into new initiatives. Second, there is society's lack of confidence in women's ability.

This is manifested in the family's reluctance to finance a women's venture, in a banker's reluctance to take risk on projects set up by women, and in a general unwillingness to accept women as decision-makers or to stand as guarantors for loans to them (Brown, 1997; World Bank Group, 1999). It is clear that special efforts are needed to promote and support women's entrepreneurship. The uneven distribution of business ownership between males and females could, to a considerable extent, be attributed to entry barriers experienced by females in particular, for example insufficient access to finance and credit facilities. Other entry barriers include insufficient recognition by governments of the role women play in the economies of developing countries, limited education and vocational training in developing countries, no collateral and no or a poor credit

history, no business track record, lack of legal status, family commitments of married women, and female entrepreneurs avoiding the male-dominated business sectors.

5 General Initiatives to Support Female Entrepreneurship:

Based on the problems female entrepreneurs face, initiatives that aim to address the imbalance in business ownership have to focus on:

- 1- Easier access to finance and credit for female entrepreneurs
- 2- Government recognition of the role females play in the economy (Government assistance was cited as an important contributor to the business success of female entrepreneurs in Singapore (Mayasami & Goby, 1999). The Libyan Government, it is suggested, should target females as beneficiaries of government programs for entrepreneurial development.
- 3- Business skills training as less educated women may face financial and human capital constraints that limit their business pursuits.
- 4- Addressing problems such as the lack of collateral and credit history (World Bank Group, 1999). It was found that collateral requirements for female entrepreneurs in Canada were higher than for men. A similar trend was identified in South Africa (White paper of the department of trade and industry, 1995)
- 5- Overcoming problems posed by the absence of a business track record
- 6- The legal status of women
- 7- The family commitments of married women
- 8- Helping females enter male-dominated business sectors.

Ideally all the above should be addressed to improve the position of female entrepreneurs. Many countries launched some initiatives which resulted in providing a platform for a strategy to support entrepreneurs with the mission to ensure improved availability of loans and equity capital and promote and represent the interests of SMEs, to all levels of government to align their policies and support measures for SMEs. A new initiative in Libya is the Small and intermediate projects which is addressed to promote entrepreneurs. The initiative is still in the begging stage where some Business incubators were launched to support start ups businesses.

6 Business Incubators:

Business incubators (BIs) are organizations that support the entrepreneurial process, helping to increase the survival rates for innovative startup companies. The objective of business incubation program aims to support and build capacity of startups entrepreneurs in formation and initial periods of their businesses so that ventures get established and gain capability of operating independently. Scaramuzzi, (2002) showed that business incubation has been practiced as a tool for women entrepreneurship development in various countries of the world. In China, for example, Tianjin Women's Business Incubator has been set up under a joint project of UNDP, Australian and Chinese Governments. The program aims at promoting women's role in business for alleviation of poverty. Similarly in Jordan, business incubators have been established for assisting underprivileged women in income generation endeavors. The subject program is supported by Japanese Government and United Nations Development Fund for Women. Business incubators are needed to encourage and help women in pursuit of growing a business as they may involve large number of stake holders, including state authorities, local community,

related universities, new start-ups, chambers and business associations, business development services provides, donor and business development agencies. This diversity brings interests and compound inputs to incubator and is fundamental feature of incubator-Incubation process. Access to multiple resources like easy approach to government departments, collaboration with universities, networking with industry and other incubators, provision of subsidized legal and other business development services etc. put forward a decisive part in winning performance of incubators (Peters et al., 2004).

So what is a business incubator (BI)? It is an entity, which helps start-up businesses with all the necessary resources - support that the start-up needs to evolve and grow as a mature business. Typically, BIs provide the start-up businesses supported by incubators, with necessary infrastructure support, technology/ prototype development support, research assistance, help in getting funding, business consulting assistance and do whatever is necessary to make the start-up a success.

Only entrepreneurs with feasible projects are admitted into the incubators, where they are offered a specialized menu of support resources and services. The resources and services open to an entrepreneur include: provision of physical space, management coaching, help in making an effective business plan, administrative services, technical support, business networking, advice on intellectual property and sources of financing. The incubation process is intended to last around 2-5 years (Sahay, 2007).

Business incubators can be private or public. Private incubators are for-profit firms that take equity or receive a fee for the business services they provide to their clients. In essence, they are a consulting firm that is specialized in new firm creation. In the last twenty years, many developed and developing countries have started large systems of public business incubators to encourage and assist entrepreneurship. In many cases, public

incubators are designed to stimulate the development of new products and services in high-tech industries. For science-based business incubators, an effective collaboration with universities and research institutions can motivate researchers into taking the risk of initiating a company.

Incubators have many partners in addition to universities. Since new firms require finance to grow, incubators have close relationships with many kinds of investors. Seed capital and venture capital funds, business angels, and banks provide most of the seed and start-up capital for incubated companies. Since business incubators are powerful economic development tools, they collaborate actively with regional and national government agencies, from which they often receive financial grants. In many countries, business incubators have national associations to represent their interests and organize meetings where best practices are disseminated.

Evaluations of business incubators in Europe and the U.S. suggest that 90% of incubated startups were active and growing after three years of operation, which is a much higher success rate than that observed in startups launched without assistance. Science-based business incubators are thought to be particularly useful from a policy perspective because they can simultaneously promote knowledge diffusion, technology transfer and high-tech firm creation (Jalbert, 2000).

7 Conclusions:

The aim of this paper was to shade some light on one of the problems of unemployment and it is intended to suggest recommendations on expanding the ability of women entrepreneurs to pursue problems of unemployment and to provide economic opportunities for women and families.

A particular focus should be on addressing the extent to which women are less able to access finance. If women cannot access financial resources they are disadvantaged in their ability to pursue economic opportunities. Some initiatives ought to be launched which can result in providing a platform for strategy to support female entrepreneurs with the mission to ensure improved availability of loans and equity capital and promote SMEs to all levels of government to align their policies and support measures for SMEs. In this respect, encouraging BIs which will help start-up businesses to evolve and grow as a mature business, will be an important step towards bridging the aspirations of women entrepreneurs of becoming effective economic actors with the needs of the Libyan economy to be infused with a fresh source of human resources contribution, diversification and balancing out the gender issues for the benefit of an all-inclusive sustainable socio-economic development in Libya.

References:

- 1- *Brown, R., 1997, Access to finance for women in business: myths or realities, Keynote address at the International Conference for Women in SMMEs, (Stellenbosch, South Africa).*
- 2- *Carter, S., and Cannon, T., 1992, Women as Entrepreneurs, (London: Academic Press).*
- 3- *Davenport, Tom, Jarvenpaa, Sirkkam, and BeersImproving, Mike, 1995, Knowledge Work Processes, Center for business innovation.*
- 4- *Dev Prasad, George S. Vozikis and Mohamed Ariff, , 2006, Government Public Policy, Regulatory Intervention, and Their Impact on IPO Under pricing: The Case of Malaysian IPOs, Journal of Small Business Management Volume 44, Issue 1.*

- 5- Goodman, Jp, Meany, Jw and, Pate, Le, 1992. *The government as entrepreneur*, in Sexton, DL and Kasarda, JD (eds). 1992, *State of the art entrepreneurship*, Boston. Kent.
- 6- IndexMundi, 2013 , http://www.indexmundi.com/libya/sex_ratio.html
- 7- International Finance Corporation, *Global partnership for financial inclusion*, 2011, "Strengthening Access to Finance for Women-Owned SMEs in Developing Countries."
www.ifc.org/wps/wcm/connect/.../G20_Women_Report.pdf.
- 8- International Labor Office, 2004, *Breaking through the glass ceiling: Women in management*, Geneva.
- 9- Jalbert, Susanne, E.,. 2000, *Women Entrepreneurs in the Global Economy*, Ph.D.
- 10- Maysami, Rc, and Goby, Vp, 1999, *Female business owners in Singapore and elsewhere: a review of studies*. *Journal of Small Business Management*.
- 11- OECD, 2004, *Promoting Entrepreneurship and Innovative SMEs in a Global Economy*, 2004, *Organization for economic co-operation and development*, Istanbul.
- 12- Parpart, Jane, L., Connelly, Patricia , M., and Barriteau, Eudine , V., 2000, *Theoretical Perspectives on Gender and Development*, the *International Development Research Centre*, Canada
- 13- Peters, L., M. Rice and M. Sundararajan, 2004. *The role of incubators in the entrepreneurial process*. *J. Technol. Transfer*.
- 14- Peterson, R., 1988, *Understanding and encouraging entrepreneurship internationally*, *Journal of Small Business Management*.

- 15- Purrini, Mirlinda, K., 2011, *Economic Empowerment of Rural Women through Enterprise Development in Post-Conflict Settings*, paper prepared for Expert Group Meeting, Ghana.
- 16- Sahay, A., 2007, *The Role of Technology Business Incubator, Angel Investor and Venture Capital Fund in Industrial Development*, Management Development Institute, Gurgaon, India.
- 17- Scaramuzzi, E., 2002, *Incubators in Developing Countries: Status and Development Perspectives*. The World Bank, Washington DC.
- 18- *The Libyan report*, 2013
<http://www.tradingeconomics.com/libya/unemployment-rate>
- 19- *White paper of the department of trade and industry, 1995, National strategy for the development and promotion of small business in South Africa*. (Pretoria. Government Printer).
- 20- World Bank group, 1999, *Overview: the gender dimension of poverty in sub-Saharan Africa*.
<http://www.worldbank.org/html/afr/bp/gender/spastat.html>.