

Female Entrepreneurship and Professional Networks

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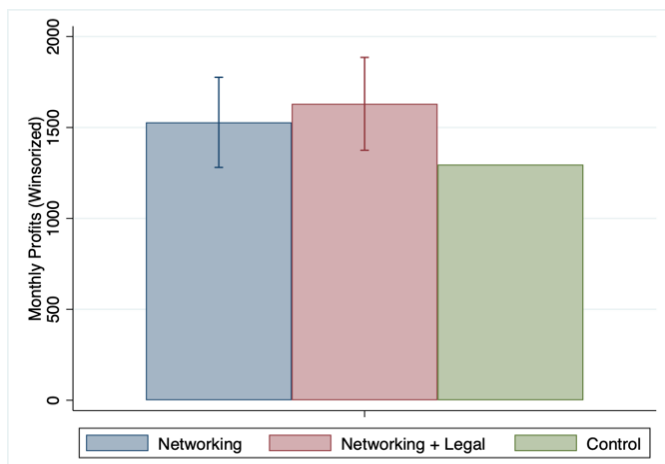


Access to online networks improves female entrepreneurs' innovation, business practices, and profits by 26%.

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Topic at a Glance

Female-owned businesses continue to be smaller and less profitable than male-owned firms. We conducted an RCT in Ghana on a sample of 1,771 growth-oriented female entrepreneurs to investigate the effect of online networking groups on firm performance. We find that access to online networking opportunities leads to greater innovation, better business practices and higher profits by 26%. The increase in profits is concentrated in the upper tail of the distribution. However, three-year follow-up data reveal limited impacts on long-term firm outcomes. Our findings reveal the potential and limitations of low-cost, light-touch interventions in fostering long-term business growth for female entrepreneurs.



Caption: Effects on Monthly Profits

New Insights

Gender Gap in Entrepreneurship

Despite being the only region in the world where there are more female entrepreneurs than men, the vast majority of female-owned businesses in Sub-Saharan Africa are microenterprises. In addition, women's owned businesses earn 34% lower profits than male-owned ones. Understanding the constraints faced by female entrepreneurs is therefore vital for fostering economic growth.

Across many settings, interfirm relationships and access to professional networks have been shown to be key determinants of business success (Ashraf et al., 2019; Kanter, 1994; Cai and Szeidl, 2017). However, due to gender norms and cultural expectations, female entrepreneurs often face social constraints that restrict their participation in business-related activities (World Bank Group, 2019). Therefore, increasing networking opportunities may be an effective solution to closing the gender gap in entrepreneurial performance. However, past interventions that aim at expanding business networks have primarily focused on male entrepreneurs and relied on in-person networking activities. This raises questions about scalability and generalizability to women, given that women likely face additional constraints such as limited mobility and household responsibilities that make it harder for them to engage in traditional networking settings. Online networking offers a potential flexible, accessible solution by allowing female entrepreneurs to build professional relationships without needing extensive travel.

Details of the Intervention

In this project, we randomly assigned the female entrepreneurs to two treatment arms and a control group. In the first treatment arm, women are assigned into WhatsApp networking groups of 8. Each week, one member is assigned to meet virtually with another group member. This treatment aims to expand the business networks of participants and increase their opportunities for business collaborations. In the second treatment arm, we enrich the online networking groups with legal support. The legal support entails weekly video lessons by a local corporate lawyer that discusses the risks of collaborations and ways of mitigating these risks through the use of written agreements and effective communication.

The intervention was implemented between February and June of 2021. Post-intervention midline survey was conducted between August and October 2021 and a one-year follow-up survey was conducted between April to July 2022. A final three-year follow-up

survey was conducted in July and August 2024.

Networking Improve Firm Outcomes

We find that access to online networking groups has significant positive impacts on firm outcomes.

1. First, one year after the intervention, the treatment groups increased business innovation by 33 to 36%, as measured by the likelihood of introducing changes to their businesses, such as new products or new ways of marketing.
2. Second, we also document an improvement in business practices, driven by a positive effect on marketing and financial planning practices.
3. Third, the treatment groups also experience a 26% increase in business profits. Quantile estimates show that a significant increase in profits emerges above the 60th percentile in profits for both treatment groups, suggesting that firms in the upper tail of the distribution benefited more from the intervention.

The results on business performance are not significantly different between the two treatment arms, suggesting that the reduction in networking constraints drives our results and that legal support does not appear to have an additional influence on business outcomes.

The Role of Business Collaborations and Peers

Why did access to online networking groups lead to an improvement in business outcomes? We find that the results cannot be explained by changes in business ambitions, entrepreneurial self-efficacy, get-ahead attitudes, or measures of female empowerment. Instead, we show that the results can be explained by two important channels.

1. First, we find that the intervention changed the nature of business collaborations. Entrepreneurs in the treatment group reduced collaborations with friends and family, choosing instead to work with business network members.
2. Second, we show that peer effects play a key role in explaining our effects. Female entrepreneurs randomly assigned to WhatsApp groups with more entrepreneurs that are college-educated, have better baseline business practices, and higher baseline sales and profits are more likely to innovate, improve business practices, and have higher profits. We also find that businesses of entrepreneurs in groups with a larger share of peers from the same industry are less likely to improve.

Did the effects persist?

Three years after the intervention, we find limited long-run positive impacts on firm innovation, business practices, or profitability. We also do not find any impacts on firm survival or on collaborations. In fact, after three years, only 3% of the treated entrepreneurs are still in touch with entrepreneurs they have met through the intervention. These results suggest that while a light-touch intervention can be effective, without sustained support or ongoing engagement, the benefits of the intervention may not persist and entrepreneurs revert back to relying on their pre-existing networks.

Policy Recommendations

Our cost-benefit analysis reveals that the intervention was highly cost-effective. On average, treated entrepreneurs saw a one-year profit increase of 4,140 GHS (approximately \$690). Given the limited long-term effects observed in the three-year follow-up, we conservatively assume that these profit gains last only one year. The intervention's costs totaled 283 GHS (approximately \$47) per participant, resulting in a cost-benefit ratio of 14.6, meaning that every dollar spent generated \$14.60 in profits. Despite the short-term impact, these findings highlight the substantial return on investment from a low-cost, light-touch networking intervention.

Our study highlights the important role of business relationships in closing the gender gap in business outcomes. The findings suggest several important considerations for interventions:

Promoting Networking Opportunities: Our findings show that expanding professional networks for growth-oriented female entrepreneurs can be effective in improving business outcomes such as innovation, business practices, and profits.

Online, Scalable Interventions: The high cost-benefit ratio of our intervention highlights the potential for low-cost, light-touch programs to significantly improve the performance of female-owned businesses in developing countries. Governments and organizations should consider leveraging digital platforms to facilitate networking opportunities, making these resources more accessible to a larger number of entrepreneurs.

The Need for Sustained Engagement: Our findings emphasize that while short-term gains can be substantial, these benefits often diminish over time without ongoing support. Future interventions should consider incorporating follow-up activities, refresher programs, or sustained peer engagement platforms to ensure that the connections made through such programs continue to deliver value over the long run.

Incorporating Diversity: The results indicate that a diverse network, especially one that includes high-quality entrepreneurs with different experiences, contributes to business success. Policies and programs should be developed to foster interfirm relationships and collaborations with a diverse range of entrepreneurs.

Limitations

The study was conducted on a sample of female entrepreneurs. In future work, we hope to include male entrepreneurs as well. This will give us the opportunity to speak to potential differential effects of the intervention along the gender dimension.

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