

OECD Studies on SMEs and Entrepreneurship

Bridging the Finance Gap for Women Entrepreneurs

Insights from Academic and Policy Research



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15 Finland: Policy insights on financing innovative women entrepreneurs

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Background

Finland is one of the leading countries in gender equality (Ministry of Social Affairs and Health, 2024^[1]). The employment rate of women and men in Finland is about the same around 90% (Tilastokeskus, 2022^[2]) but women are less involved in entrepreneurship than men: slightly more than one-third of Finnish entrepreneurs are women whereas less than two-thirds are men. Although the share of women entrepreneurs is slightly higher in Finland in comparison to the European Union (EU) and has increased in the recent years, women lag behind men. Early-stage entrepreneurial activity reported in the Global Entrepreneurship Monitor indicates roughly the same ratio (0.68) between women and men in Finland (Pukkinen et al., 2023^[3]).

There has been relatively little study of women's participation in innovation, although this is closely related to entrepreneurship (Agnete Alsos, Ljunggren and Hytti, 2013^[4]). However, a recent study in Finland demonstrates that women are clearly under-represented in innovation as most innovators are men coming from good socio-economic backgrounds (Feng, Jaravel and Einio, 2021^[5]). This could be partly due to gendered education and labour markets which are reflected in innovation activities and may prevent women from pursuing a career as an innovator and to raise finance for their innovation activities.

Policy issue: Addressing the under-representation of women in innovative entrepreneurship

Based on novel linked datasets in the United States and Finland, recent research demonstrates that innovators create products more likely to be purchased by consumers like them in terms of gender, socioeconomic status and age (Feng, Jaravel and Einio, 2021^[5]). There is, thus, a clear pattern of innovator-consumer homophily and social factors, especially peer effects, affecting the direction of innovation and independent of financial incentives. Such "social pushes" and women's under-representation as innovators has also clear implications to the nature, types and volumes of innovations made as well as to economic growth and the economic equality between men and women (Feng, Jaravel and Einio, 2021^[5]). The outreach of innovation becomes restricted influencing also the company performance and competitiveness. Furthermore, the under-representation of women as innovators implies that all the best competences are not used in innovation activity.

Business Finland (BF) data based on their innovation applications confirms the under-representation of women in innovation. BF is a Finnish state-owned agency aiming at creating prosperity and well-being for Finland by accelerating the sustainable growth of companies. It offers innovation funding, internationalisation services, information, guidance, and networks for different stages of business. BF data from the years 2016-22 show that about 80% of all innovation applications were submitted by men. The share of women and men has remained unchanged during the period. The acceptance rates of the applications were about the same among women and men indicating that their applications were about of the same quality. Women tended to apply more for minor instruments such as innovation vouchers with women accounting for 24% of applications and less for larger-scale instruments such as R&D finance with women accounting for 11% of applicants. Men applicants dominated in all sectors, and only in health care was the share of women applicants (45%) close to men. Women most often submitted applications for innovation projects in the field of education and training. Although BF has for years highlighted a broad-based view on innovation and emphasised the significance of service-related, design, business and social innovations in addition to technological breakthroughs, the BF data portrays a different reality. Innovations continue to be conceptualised merely as products and technology taking place in manufacturing (Agnete Alsos, Ljunggren and Hytti, 2013^[41]) and there is a strong association between masculinity, science and engineering, and innovation (Marlow and Mcadam, 2012^[6]).

Research has identified a need to look at innovation activity in service industries, public sector activities and in other industries with high representation of women (Nählinder, Tillmar and Wigren-Kristoferson, 2012^[7]) as well as to acknowledge a variety of incremental innovation processes taking place at the grassroots level in organisations (Agnete Alsos, Ljunggren and Hytti, 2013^[41]). Furthermore, it is noteworthy that women and men may have different roles in the innovation pipeline (Duberley and Cohen, 2010^[8]) as innovation activity is managed by teams that include both men and women. This is something that remained invisible in the BF applications, for example, as only the applicant's gender, not the gender of the team members, was detected.

The Finnish Government set a national target of increasing Finland's Research, Development and Innovation (RDI) expenditure to 4% of GDP by 2030 (Finnish Government, 2023^[9]). The target will be difficult to reach without highly-educated women engaging in innovation. More importantly, women's engagement likely makes innovations more versatile and accessible for wider markets leading to greater chances of international success. On the other hand, BF's focus on broad-based innovation with a strong emphasis on firms focusing on international growth may again reproduce a focus on manufacturing and technology as the main sectors for innovations, missing out on opportunities from other sectors where women entrepreneurs have strong roles.

While innovation policies in Finland focus on innovative projects, products and technologies, entrepreneurship policies tend to focus on entrepreneurs, their (potential) businesses and their ability to pursue growth. Finland applies a generic approach to entrepreneurship policy implying that no special target groups are explicitly addressed, and no priority is given to (potential) women entrepreneurs as innovators. Therefore, there are no targeted support measures for women entrepreneurs particularly as the mainstream programmes are accessible equally to all entrepreneurs. In general, the business environment in Finland is considered favourable and thresholds for entrepreneurship are low (Pukkinen et al., 2023^[3]).

The under-representation of women in innovation is common across many countries and is further linked to women's participation, achievements and progression in science, technology, engineering, and math (STEM) fields. The under-representation of women can be explained by numerous factors at individual level (e.g. self-perceptions, stereotypes, interests), family and peer level (e.g. their beliefs and expectations, socioeconomic status), school and education level (e.g. teachers' beliefs and expectations, curricula, assessment practices), and social level (e.g. cultural norms, gender stereotypes and gender equality) (UNESCO, 2017^[10]; Dos Santos et al., 2022^[11]). These issues need to be tackled in order to make

innovative careers more accessible for women in Finland and hence support greater innovative entrepreneurship in the country.

Conclusions

Much has been done to support women's entrepreneurship in Finland, but innovative women-led start-ups are still rare. There is a need for policies and initiatives to promote opportunities for women from different socio-economic backgrounds to pursue the career of an innovator and entrepreneur. Such policies have potential to lead to a more diverse set of new goods and services as well as to increase growth. Areas where policy actions could be taken include increasing the focus on service-related, design, business and social innovations in innovation support, identifying women team members and co-applicants for innovation projects to increase their visibility, and encouraging women to ambitiously apply for finance for their innovation projects while challenging financiers to recognise the potential of women in innovation projects.

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