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Women Entrepreneurs in Chile: Three decades of Challenges and Lessons on
Innovation and Business Sustainability
Maria Teresa Lepeley, Vesna Mandakovic, Olga Pizarro

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Abstract

This study is framed on a global vision of women participation in entrepreneurial activity as an introductory note and proceeds with a comprehensive assessment of the experience of women entrepreneurs in Chile in the last thirty years. Chile is one of the fastest growing and most stable economies in Latin America and among developing countries with a 5.7 percent unemployment and 14.8 percent poverty level. This case study is focused on Chilean women entrepreneurs from a business sustainability dimension, providing the experience of a pioneer country that introduced entrepreneurship as a central economic development strategy since the late seventies.

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1 Introduction

In the 21st century, global development organizations such as the World Bank, World Economic Forum, OECD, United Nations and a growing volume of academic literature, are paying critical attention to promote women's participation in economic activity as a condition to attain sustainable economic development in developing and developed nations. In this case sustainability is understood as the accumulation of human capital necessary to foster an optimal balance of social, economic, technological, and environmental development.

Global organizations and national governments are collaborating closely in the search for entrepreneurial models effective to foster economic growth with social development in established and emerging market economies in developing countries.

The search is focused on increased awareness of the new paradigm that sustainable development, entrepreneurship, and education are intractably linked. Therefore solutions need to synchronize development of human capital with entrepreneurial development programs in general and women participation in entrepreneurial activity in particular. The latest world financial crisis of this millennium exacerbates the need for solutions to endemic problems of unemployment that entrepreneurial development has the potential to solve.

Klaus Schwab, Founder and Executive Chairman of the World Economic Forum states that "Only by creating an environment where entrepreneurship can prosper and where entrepreneurs can try new ideas and empower others, we can ensure we are addressing one of the world's most critical issues of this century"¹

¹ In Educating the Next Wave of Entrepreneurs. Unlocking entrepreneurial capabilities to meet the global challenges of the 21st Century. A Report of the Global Education Initiative of the World Economic Forum. 2009.

Schwab emphasizes the power of education to develop the skills entrepreneurs need to prepare for the future and solve fast-changing and complex problems. He assesses that quality education needs to be a top priority for governments and the private sector as a fundamental mechanism to attain sustainable economic growth rooted in human and social progress. He forecasts that the world needs global leaders and stronger educational systems to prepare current and future generations of entrepreneurs; but there is also need to prepare quality teachers, managers, workers, and individuals with skills needed to succeed and help others.

The speed of change that affects humanity today does not have historic precedent. Consequently it takes people and organizations considerable amount of time to seize the meaning and understand the impact of change in their business. Any gap postpones the development and deployment of successful strategies to respond rapidly to emerging demands optimizing time and resources available.

Women enterprises are not exempt from this phenomenon. On the contrary, the speed of change creates additional burdens for women business owners, increasing the level of uncertainty and need to develop visionary capacity to forecast the future to take advantage of business opportunities. Any delay generates additional costs of falling behind while competitors innovate and move ahead.

The domino effect of the last global economic and financial crises that slowed down economies in developed countries and affected the rate of growth in developing nations, has raised fundamental questions about the need for new global imperatives to prevent a similar collateral damage. Business corporations worldwide are aware of these imperatives, and entrepreneurial woman need to know and manage knowledge to their advantage.

One of the most pressing challenges for entrepreneurs is a global imperative for sustainable business models based on innovation. Innovation is today sine qua

non to advance in the global economy as much as in local markets. And it is an essential factor to create sustainable entrepreneurial endeavors. Microsoft's Bill Gates and Apple's Steve Jobs are notable examples. Consequently, international organizations, farsighted researchers, and futurists investigating the subject show clear awareness of the valuable contribution of business companies to advance sustainable development models. (e.g. UNIDO, 2013; WBCSD, 2012).

But at this point it is necessary to define what is "sustainability" and why it is important today. A quarter of a century ago "sustainable development" was defined as "development that meets the needs of people in the present without compromising the ability of future generations to meet their own needs" (WCED, 1987).

But the meaning of sustainability is constantly evolving, expanding and generating derivative concepts such as sustainability management (Starik & Kanashiro, 2013), corporate sustainability (Schaltegger & Burritt, 2005), sustainable innovation and sustainable entrepreneurship (Schaltegger & Wagner, 2011). The urgency for sustainability is pervading every sector of societies worldwide, not only in productive sector and manufacturing businesses, but also in the service industries and education (Lepeley, 2001, 2005, 2013).

Sustainability is based on effective deployment of a comprehensive management model leading to balanced economic, social, technological and environmental development.

Sustainable quality management is an integral model of organizational transformation that facilitates advancement from a process oriented organizations, typical of the Industrial Era, to a people centered and technology expediting flat organization model necessary to meet business and societal demands of people in the 21st century.

Sustainability models enhance the central role of people as the engine and their talent as the fuel that move organizations forward and are rooted on individual responsibility and team commitment with organizational mission and vision.

Organizational leaders, business managers and entrepreneurs are constantly challenged to contribute to sustainable development. Sustainability is a 21st century imperative that women entrepreneurs cannot ignore and need to be prepared to manage effectively to see their business grow.

Women entrepreneurs in developing countries have had limited access to business management education programs that provide training in the sustainability principles and practices aforementioned and since this is a requisite to consolidate start-ups endeavors based on necessity to advance them to take advantages of opportunities, training in sustainability is a challenge ahead.

Another dimension of sustainability are policy implications in developing countries with a growing imperative to optimize returns to investments that harmonize resources and efforts of the government with the private sector, including academia, to help women start businesses and make them grow beyond the a business created purely to cover household expenses, that consumes all income surpluses and is usually established in the informal sector, and be successful to transform it into an enterprise where business profits are re-invested to generate future growth and capital accumulation in the formal economy. (Scase (2003), Aidis, R. et al (2007).

2 Women Entrepreneurs and Free Market Economies

Women enterprises bloom in free market economies. International organizations such as the World Bank, OECD, Eurostat, and the United Nations observe significant level of improvement in people's welfare in free market systems and emphasize that the gains are particularly striking in developing nations. Therefore it

is necessary to highlight the positive relationship between rate of growth of female entrepreneurial activity and degree of consolidation of free market economies in developing countries.

Aidis et al (2007) emphasized this relationship in an analysis of differences and similarities between female entrepreneurship in Lithuania and Ukraine. Lithuania, a smaller country (population 3.6 millions) with more advanced market system and closer geographical proximity to Western Europe, shows higher propensity for women to undertake entrepreneurial activities, compared with Ukraine (population 47.7), that has slower development of its market economy and greater heritage and attachments to values and customs of the former Soviet Union.

In spite of the visible benefits of market economies, sometimes its positive aspects are obscured by misconceptions that ignore progress or special interests that despise its positive effects, including its significant contribution to foster female entrepreneurship and women's participation in economic activity as an important factor in social development and economic growth.

At global level, policies and institutions compatible with market freedom and open economies have been important to promote female entrepreneurship as a driven force for human progress in the post-industrial age.

The purpose of this study is to evaluate women in entrepreneurship from a sustainability dimension first from a global scope and then focusing the case on a study in Chile, a country in South America that in 1973 went through a deep transition from a centralized socialist regime to a free market economy. Four decades later Chile provides one of the longest experiences among free market economies in Latin America and among developing countries.

A main challenge for market economies is how to expedite the process for women entrepreneurs in developing countries to help them advance from the precarious "necessity entrepreneurship" to the upper level of "opportunity entrepreneurship",

which is required to attain business sustainability among women business owners and fosters development, growth, and benefits society at large.

In spite of growing evidence that free markets are a determinant element to foster female entrepreneurship, today there is growing awareness that capital is no longer the sole factor of production in market systems and competitive advantages are increasingly driven by business innovation. Innovation and entrepreneurship are closely linked. Innovation understood as the capacity to change and adjust fast to meet the emerging needs and demands generated by customers and the continuous improvement required to reach a competitive edge.

Business enterprises are becoming less dependent on tangible assets, such as capital, as world economies are transitioning from capitalism to “talentism”. In this environment, gender parity becomes critical because women make up one half of the potential human capital and talent pool available in any economy. Hence the efficient use of women’s talent becomes an important driver for national competitiveness and economic growth.

2.1 Increasing attention on Gender Parity

International organizations worldwide are expressing increasing concern for issues related to gender parity, or gender equality, in developed and developing countries. At the Global level the World Economic Forum and the Global Entrepreneurship Monitor GEM are advancing the design of a model to assess issues and policies² to advance the discussion centered on the following points:

- Benchmarking to measure global and regional gender gaps using effective framework to capture magnitude of gender disparities on economic, political, education and health criteria.

² Global Entrepreneurship Monitor. 2012.

- Search for management practices that close gender gap in the workspace.
- Collect information on practices adopted by leading companies to close the gender gap at the corporate level.
- Focus on organizational gender parity efforts, measuring results, using mentorship, training, awareness, incentives and accountability, highlighting work environment and work-life balance opportunities for women.
- Designing models to balanced female leadership in organizations with a clear commitment to go beyond the office walls and outreaching the local community.
- Conduct continuous evaluation of impact and results of government programs and policies and private initiatives that promote women's economic integration.
- Monitor and promote programs that induce leaders from business, government, civil society, academia and the media to combine traditional knowledge of best practices with innovative approaches to close the global gender gap.
- Build platforms to facilitate networking that promotes meaningful dialogue on gender gap from a mutually beneficial perspective for females, males, and society at large.
- Facilitate creation and stimulate multitask and balanced gender leadership communities.
- Develop expert communities of globally recognized experts and bring them together to discuss cutting-edge research on closing gender gaps in business, government, civil society, and leading universities.

- Provide new insights, recall, and synthesize existing knowledge to develop solutions-oriented, country-level replicable and systemic models to close the economic gender gap locally and globally³.

On the same token, the World Economic Forum is seeking to increase women's participation organizing Annual Meetings, regional events, Global Agenda Councils and initiatives, drawing from a pool of women leaders in business, politics, academia, media and civil society to establish a strong record to support gender diversity worldwide.

2.2 Importance of Bridging Financial Security for Women Worldwide

World population statistics increase urgency to focus in the financial security of women in general and women's participation in economic activities in particular.

In January 2014 the male population of the world surpassed female population by 1.4 from birth until age 49. At 49 both sexes equal 50 percent of the population. At older age women surpass men' survival rates rapidly. By age 85, women survival rate is significantly higher than men, and men reach 60 percent of the world population. At ages above 100, only 22.5 percent are men but 77.5 percent are women⁴. This evidence increases the need to secure long term employment and income for women based on longevity rates.

2.3 Women in Entrepreneurship: A solution or a problem?

In terms of business creation in 2012 approximately 224 million women were involved in entrepreneurial activities in 67 countries around the world. 126 million women were starting or running new businesses, while 98 million were running established businesses. These women had created jobs for themselves and for

³ Global Entrepreneurship Monitor 2012 Women Report.

⁴ U.S. Department of Commerce. United States Census Bureau. International data. January 10, 2014. <http://www.census.gov/population/international/data/idb/worldpop.php>

their co-founders and given employment to others⁵. Estimates show that a female population of 48 million female entrepreneurs and 64 million female business owners currently employ one or more people. The projected employment growth plan indicates that their businesses will increase hiring by an average of six employees over the next five years⁶. If this forecast is realistic, women enterprises would become an important job source in future generations.

3 A Regional Dimension on Entrepreneurship and Women Participation⁷

Observing women entrepreneurs from a global perspective shows that the challenges women face in developing are significant.

The World Economic Forum classifies economies based in entrepreneurial activity, outcome as level of economic development, GNP per capita, and the share of exports of primary products and group world economies as factor-driven, efficiency-driven and innovation-driven economies⁸.

Countries with factor-driven economies predominantly subsist from basic agriculture and extraction of natural resources with business organizations showing skewed reliance on unskilled labor. Countries with efficiency-driven economies show increased degree of competitiveness with higher level of industrialization and a growing number of capital intensive business organizations generating economies of scale and decreasing costs of production. In innovation-driven economies business organizations are capital and knowledge intensive based on skilled labor with significant expansion of the service sector.

⁵ Global Entrepreneurship Monitor 2012 Women Report.

⁶ Ibid.

⁷ World Economic Forum's (WEF) Global Competitiveness Report.

⁸ Ibid

Based on this classification the World Economic Forum subdivides countries in seven regional groups: Sub-Sahara Africa, Middle East / North Africa / Mid-Asia, Latin America & The Caribbean, Developing countries in Asia Pacific, Developed countries in Asia Pacific, Developed countries in Europe, Developing countries in Europe and the United States.

Most countries in Sub-Saharan Africa and Mid-Asia have factor-driven economies. All countries in Latin America & the Caribbean are classified as efficiency-driven. Asia and Europe have a mix of efficiency-driven and innovation-driven economies and both regions are divided into developed and developing economies. Japan, Republic of Korea, Singapore and Taiwan have innovation-driven economies, while China, Malaysia and Thailand have efficiency-driven economies. Developing countries in Eastern European have efficiency-driven economies and developed countries in Western Europe have innovation-driven economies, as does the United States.

Women's participation in entrepreneurial activity varies broadly in countries around the world but it is consistently lower at both ends of the scale, that is in developed innovation-driven economies and in developing factor-driven economies.

Developed countries in Europe show a lower rate of female entrepreneurship because women have more opportunities to work as employees in large public or private organizations that provide job security, fringe benefits, and social programs to finance more affluent households. Such conditions deter women interest even in "opportunity entrepreneurship".

At the other extreme of the scale in factor-driven economies, women have less chance to find jobs as employees and have less support to create a business, in spite of more pressing economic needs. So many women are forced to most precarious and basic form of entrepreneurship consisting in a trade of goods and services.

WEF reports the highest regional rate of women involved in entrepreneurial activity in Africa, followed by Latin America. Countries of the Middle East report the lowest level of women participation.

In Latin America, Chile is a country in transition from efficient driven to innovation driven economy as Table # 1 shows. Six of thirteen countries in Latin American included in the WEF classification share same stage, namely Argentina, Brazil, Barbados, Mexico, Panama, and Uruguay.

Table #1
GEM ECONOMIES BY GEOGRAPHIC REGION AND ECONOMIC DEVELOPMENT LEVEL

<i>Region</i>	<i>Factor-Driven Economies</i>	<i>Efficiency-Driven Economies</i>	<i>Innovation-Driven Economies</i>
Latin America & Caribbean		Argentina ² , Brazil ² , Barbados ² , Chile ² , Colombia, Ecuador, Guatemala, Jamaica, Mexico ² , Panama ² , Peru, Suriname, Uruguay ²	Trinidad and Tobago
Middle East & North Africa	Algeria ¹ , Iran ¹ , Libya ¹		Israel
Sub-Saharan Africa	Angola ¹ , Botswana ¹ , Ghana, Malawi, Nigeria, Uganda, Zambia	Namibia, South Africa	
Asia Pacific & South Asia	India, Philippines ¹ , Vietnam	China, Indonesia, Malaysia ² , Thailand	Japan, Republic of Korea, Singapore, Taiwan
Europe - EU28		Croatia ² , Estonia ² , Hungary ² , Latvia ² , Lithuania ² , Poland ² , Romania, Slovak Republic ²	Belgium, Czech Republic, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Slovenia, Spain, Sweden, United Kingdom
Europe-Non-EU28		Bosnia and Herzegovina, Macedonia, Russian Federation, Turkey	Norway, Switzerland
North America			Canada, Puerto Rico*, United States

1) In transition phase between Factor-Driven and Efficiency-Driven

2) In transition phase between Efficiency-Driven and Innovation-Driven

* Puerto Rico is considered to be part of North America for the status as an associate state to United States, even though this economy shares many characteristics of Latin American and Caribbean countries.

4 Business Sustainability in the Global Economy

Although any individual, male or female, can launch a business venture, the rule that defines an established business is the same owner running the business for more than three and a half years⁹.

In comparison, a mature sustainable business is managed by an entrepreneur alone or with support of a team or other stakeholders and can demonstrate continuous improvement and quality standards internally and also evidence of a significant contribution to the external community. This is the social side of the enterprise or the social responsibility of a business.

Longitudinal studies show that fewer women than men business owners reach the sustainable stage. And more people, both men and women, are starting new businesses than running mature organizations. This is not uncommon considering entrepreneurship as a highly dynamic phenomenon with people entering and exiting businesses continuously in countries where people exercise free will to pursue entrepreneurial ambitions, based either on necessity or as business opportunity.

Yet to keep business ventures operating beyond the startup phase it is not an easy task in the constantly changing competitive environment, regulated by legislation and tax laws that require specific knowledge and a significant amount of time to administer properly or imply a considerable expense to hire an expert employee to do it. This is a particularly important issue for women entrepreneurs starting to participate in economic activities, who in addition to inherent business challenges of managing a business, have to confront surmounting time limitations in life stages when women are caregivers for children or parents. Therefore the issue of business sustainability has critical impact on the analysis of women in entrepreneurship.

⁹ Global Entrepreneurship Monitor. 2012. Pag. 17.

4.1 Impact of Innovation on Sustainability

The importance of innovation was described as a fundamental element to attain sustainability in entrepreneurship. So, women entrepreneurs need acquire knowledge to develop the capacity to innovate and constantly improve the product or services they produce and sell customers. Women entrepreneurs need to pay special attention to quality standards required to attain business sustainability internally and use effective benchmarking strategies to assess that competitive businesses are offering the same or similar product or service and gaining their market share.

A global dimension on innovation shows that the United States has the highest level of innovation among women entrepreneurs, which is slightly higher than their male peers. The United States also has the highest level of innovation in the world¹⁰. Innovation in developed nations in Europe is also high among women entrepreneurs and parallel with men. In Europe innovation is initiated by highly educated entrepreneurs and employees, by research centers, universities and labs, and it is supported by legal systems that protect intellectual property.

4.2 Emotional Intelligence and Business Sustainability

Another important factor CEOs of companies around the world highlight as crucial to boost work performance, competitive advantage, and quality standards in the global economy is the Emotional Intelligence (EI) of the workforce. This is even a more critical ability necessary to succeed in entrepreneurial activity. Emotional intelligence (EI) refers to people's ability to perceive, manage properly, and fairly evaluate personal emotions and has the sensitivity to monitor other peoples' feelings and emotions, necessary to lead and collaborate in teams effectively and develop an organizational culture based on trust, empathy, and respect, as

¹⁰ GEM. Women Report 2012.

fundamental elements to attain continuous performance improvement and quality standards required for business sustainability¹¹.

CEOs assess that the parameters to assess success at work are changing and now are measure with new benchmarks and not exclusively based on people's training, position, or expertise, but increasingly by how well a person can handle her/himself at work, in teams and understand the needs and expectations of others. This benchmark increasingly applies to who will be hired or not, who will be let go or will be retained, and who will receive a promotion.

Although women naturally may have certain comparative advantages in emotional intelligence and understanding of others, than males, EI needs to be improved, practiced, and applied every day to advance to sustainable business.

Additionally, women entrepreneurs can get significant learning and benefit with motivational videos for women entrepreneurs in You Tube.¹²

4.3 International Aspirations of Women in Entrepreneurship and Sustainability

One formula to measure business growth to attain sustainability is increasing sales and market share, not only nationally but internationally to take advantage of the benefits in a global economy. "Going international" is a necessary strategy innovative businesses follow to increase market share in the 21st century. GEM Reports measures the percentage of entrepreneurs with more than 25 percent customers in other countries and the results show a high dispersion in the level of business internationalization between developing and developed regions.

¹¹ Pandita (2012). Lepeley & Albornoz (2013).

¹² http://www.youtube.com/watch?v=ohSyA7-O_8A citation 2/10/2014.

Entrepreneurs in developing regions report a lower level of internationalization. In some cases, like Brazil, this may reflect a large internal market and/or cultural reasons that limit internationalization, like a language barrier given fact that in Brazil Portuguese is the official language, but Spanish is spoken in all neighbor countries in Latin America.

But in most cases, low internationalization indicates a combination of the following obstacles: lack of business infrastructure, limited network capacity, scare financial resources to open overseas trade, deficient information and/or expertise how to trade outside national borders. How to promote and increase business internationalization is another important challenge for women entrepreneurs as well as for educational and training programs in entrepreneurial development.

5 Women Entrepreneurship in Latin America¹³

Studies conducted by the World Bank and the Inter American Development Bank on female entrepreneurial report that women entrepreneurial activity is high and growing fast across countries in Latin American and its popularity reflects an increasingly positive cultural attitude towards entrepreneurship.

But when Latin America is compared with other regions, the proportion of mature business owned by women is low and shows critical issue of business sustainability among women entrepreneurs.

These studies show that Latin American women entrepreneurs are more likely than men to start a business, and it is common to see women entrepreneurs operating their businesses with a partner.

¹³ World Bank 2010

GEM reports that 43 percent of the women entrepreneurs in Latin America are wealthier than counterparts in other regions and this cohort has household income in top income brackets. It may be assumed that this entrepreneurial activity is driven by the opportunity motive. But evidence of opportunity entrepreneurship among women co- exists with high level of necessity entrepreneurship among women, not only in comparison with other regions of the world, but also when compared with male entrepreneurs in Latin America. This may explain why Latin American women entrepreneurs show stronger tendency to operate alone, have no or less employees, run business primarily in the service sector, and rarely expand business internationally.

Given the evidence that most economies in this Region are in a middle stage of economic development and experiencing high rates of economic growth, it is concerning that many of businesses owned by women show low potential for sustainability and consequently, are make low contribution to national economic growth of the GDP.

Marcerlo Giugale, Sector Director of Poverty Reduction and Economic Management for Latin America at the World Bank states that policies directed to help women entrepreneurs in Latin America should not focus exclusively in starting a business, but today a crucial need is to promote sustainability in microenterprises led by women. He emphasizes that Latin American policies have been successful creating self-employment for women in microenterprises, but a critical problem is that only very few evolved from the micro stage and attain sustainability¹⁴.

It is important to highlight that the level of improvement among women in Latin America has been significant in the last two decades, and has contributed to consolidate market economies in the Region. But there are critical challenges ahead. Among the most critical, women still face a considerable amount of

¹⁴ Ibid.

limitations because policies and programs to promote gender equality have not been as successful as expected, neither in the public or the private sector.

For instance, women head of households with young children and managing a business, commonly at home, and who have a low level of capital, are less likely to have access to collateral assets required to get bank loans. Women confront harsh limitations to balance motherhood and home responsibilities with successful and sustainable business activities. These constraints disproportionately affect women entrepreneurs compared with men in Latin America and seriously hinder to unleash the full potential of women entrepreneurs.

Women in Latin America have a strong preference to work flexible hours, but labor markets and obsolete regulations are not providing options to meet women needs. In spite of the fact that advances in technology and innovation can help women workers, and also men, achieve a better work-life balance.

Government agencies need to pay special attention and assess policies and programs aiming to reduce the cost of the processes necessary to start a business, enforce labor contracts, comply with tax fillings and regulations that can affect women workers disproportionately. On the same token, improving information, the transparency of business registries and compliance with regulations, need to be assessed and these services must improve to secure sustainability of women entrepreneurs.

In reference women and finances, including credit and loans, Latin American women show higher risk aversion and greater fear to apply for credit and are less familiar with banking in general and credit instruments in particular¹⁵. More research is needed to clarify what has prevented financial institutions in the Region to provide credit for small business that are appealing to women entrepreneurs

¹⁵ World Bank 2010

with increased awareness that asset accumulation affects men and women differently.

Financial institutions need to evaluate the impact of credit programs on gender equality, and particularly in reference to land and real estate ownership, because traditionally men accumulate more value in land and real estate assets than women do.

Cumulative evidence justifies the need to focus programs and policies intended to help women entrepreneurs on improvement of existing operations to increase capital accumulation, business growth and sustainability. There is robust information supporting this urgent need. Studies conducted by the World Bank report that medium size and large women owned firms are as productive as male owned firms. But micro or small size firms owned by women are less productive than male counterparts.

Women entrepreneurs need effective support to grow their micro-enterprises. And even consider the alternative to perish, which may be necessary and more efficient in some cases, to free resources that women entrepreneurs can use in more productive endeavors or investments.

This analysis on women in entrepreneurship uncovers the need to assess the outcome of programs and policies related to gender gaps and highlights the imperative to improve evaluation methodology of results and to what extent are targeted in the right direction. Only objective analysis of costs and benefits of programs and policies and realistic formulas to calculate the rates of return to investments in women in entrepreneurship will provide accurate answers to improve businesses and increase women's contribution to economic growth and social development.

From a Regional perspective The World Bank and Inter-American Development Bank are promoting gender equality addressing the following aspects, which highly

converge with aforementioned global imperatives of the World Economic Forum, but here emphasizing special needs of women in this Region and particularly on the need to correct market distortion:

- Promote women leadership in government and business.
- Target labor market reforms to remove barriers of women's participation in the formal sector employment.
- Expedite women's access to work markets minimizing distortions or incentives that lead women to seek self-employment as a last resort.
- Continuously assess impact and results of policies to reduce the gender gaps in wages and flexible work schedules.
- Promote women participation in decision-making and team building.
- Provide clear and comprehensive information about access to financial services.
- Offer business management training, easy access to networks and distribute information on opportunities in new and international markets that can help women entrepreneurs.
- Promote gender parity in social networks, social media, radio messages and posters to highlight that - men and women - need to participate in these programs to make a difference.

Women entrepreneurs in Latin America and in developing countries need to observe, assess, and adopt innovation in products and services in developed countries. Among emerging economies, China is doing it and succeeding at it. When there are effective property rights it is possible to adapt and improve, without

violating intellectual property. And this is an important advice for women entrepreneurs in developing countries who critically need to innovate to advance their businesses and attain sustainability.

6 Women Entrepreneurs in Chile

6.1 Thirty Years of Experience and the Challenge of Sustainability

Chile is a country in South America. The official language is Spanish. It has a population close to 17 million, 89 percent urban, population growth rate less than 1 percent and life expectancy 80 years.¹⁶

The Chilean economy is recognized as one of the most stable, open, and competitive in Latin America. The transition from a centrally planned system to a free market economy started in the mid-1970s, when Chile went through deep political transformation and a comprehensive structural economic reforms, Bergoing et al. (2006) resume as: “Among other reforms, public firms were privatized, most trade impediments where lifted, labor markets were liberalized as was the financial system allowing for the creation of a private system of social security with individual retirement accounts”. The successful economic transformation and liberalization expanded opportunity for business creation and the competitive environment promoted entrepreneurial activity as a development strategy.

The transition to a free market system and open economy exposed Chilean businesses to a significant amount of the turmoil and international challenges. But international trade taught business owners important lessons to compete in global markets maximizing benefits and minimizing costs of economic integration and Free Trade Agreements (FTA).

¹⁶ http://www.indexmundi.com/chile/demographics_profile.html citation 2/14/2014

Chile lowered ad-valorem tariffs from 11% in 1998 to 6% in 2003 to establish FTAs with two main trading partners, United States and the European Union. In South America, Chile has FTAs with MERCOSUR and bilateral FTAs with Peru, Colombia, Venezuela, Ecuador, Bolivia, Canada, Mexico, and Central America. Chile has FTAs with Korea, Singapore, India, China, Japan, and New Zealand.

In 2007 Chile was the first non-European developing nation invited to join the exclusive OECD, which since 1960 has grouped developed nations with the mission to promote policies that improve the economic and social well-being of people around the world.

In 2011 the London's Financial Times singled Chile as "Latin America's best managed and most prosperous nation"¹⁷. Lant Pritchett (2011), Harvard University professor and economic development specialist, said that Chile is the only economy in the world that may advance from developing to developed status in near future (Pritchett, 2011).

The 2012 Economic Freedom Index of The Heritage Foundation ranks Chile in 7th place in economic freedom. After Canada in 6th place, Chile is the freest economy in the American Continent. And 3 places ahead of the United States.

OECD reports unemployment in Chile among the ten countries with lowest level¹⁸. In 2013 the unemployment rate was 5.7 percent ranking Chile in 9th place. Better than the United States, Germany, Australia and New Zealand. Among females the unemployment rate reached 6.9 percent in Chile.

In terms of entrepreneurial activity, the first Global Entrepreneurial Monitor (GEM) of 2003 reported that Chile had the highest proportion of entrepreneurs among the 37 developed and developing countries that participated in that study. The 2013

¹⁷ Financial Times. September 15, 2011. Pp5.

¹⁸ http://www.df.cl/chile-se-situa-dentro-de-los-10-paises-ocde-con-menor-desempleo-promedio-en-2013/prontus_df/2014-02-11/201357.html consulted 2/13/2014.

GEM Report highlights that Chile has the fastest growth in entrepreneurial activity compared with other countries in Latin American and Europe. 23 percent of the Chilean adult population participates in entrepreneurial activity, compared with 12.8 percent in Germany and 12.1 percent in Norway¹⁹.

The high level of entrepreneurial activity in Chile is the result of a variety of national policies and initiatives promoted by government agencies and private sector organizations. For instance, a national initiative designated 2012 as the Year of Entrepreneurship and 2013 as the Year of Innovation.

Observing entrepreneurial development in Chile from an academic perspective shows that in the late 1980's universities started discussing issues related to entrepreneurship. In the mid 90's business schools were offering courses in entrepreneurship as part of the management curriculum. By the end of that decade entrepreneurship had become a cross fertilization subject in most academic disciplines and professional degrees in a large number of universities and colleges. In parallel, principles of entrepreneur were introduced in secondary education.

6.2 Necessity versus Opportunity Entrepreneurship: The New Challenge

Despite a high level of entrepreneurship, as percentage of business activity in Chile, it is important to clarify that data adds together opportunity and necessity driven entrepreneurial activity. To illustrate the differences, although Germany has lower level of adult participation in entrepreneurial activity than Chile, the impact of entrepreneurship in national production and GDP may be stronger in Germany if driven by opportunity entrepreneurship.

This dichotomy is summarized by the World Bank (Lederman et al, 2013) in these terms: "Latin American Entrepreneurs: Many Firms but Little Innovation".

¹⁹ GEM 2012-2013.

This diagnostic applies to Chile, where the percentage of entrepreneurs in business activity is high, but the impact on economic growth is low or moderate, or not enough, to say the least, because there are indeed some positive aspects of necessity entrepreneurship that will be discussed later.

This outcome generates a heavy burden for policy makers and universities confronting the challenge to transform low impact entrepreneurial activity into high impact entrepreneurship with growing potential to be a sustainable source of employment and economic growth.

6.3 Women in Entrepreneurship: Economic Opportunity or Social Problem?

According to the 2011 CASEN²⁰ national survey, the rate of female participation in the labor force was 42.3%.

The participation in entrepreneurial activity of Chilean population shows high correlation with education and income level. The percentage of entrepreneurs increases with income increases. But women show an inverse relationship. Low income women show higher level of participation in entrepreneurial activity (52%) than women in high income bracket (38%).

Furthermore 93 percent of low income businesses owned by women are in the informal economy, meaning that have no impact on national accounts or GDP growth.

CASEN survey shows that in 2011 necessity entrepreneurship was an important driver for low income women entrepreneurs and significantly higher compared with women in higher income cohorts, who undertake entrepreneurial activity primarily driven by opportunity.

²⁰ CASEN National survey of socioeconomic conditions

The Chilean government offers a comprehensive national program that includes laws, bills and policies to promote equal opportunity for women. Programs are deployed through ministerial offices and provide a variety of support mechanisms to encourage entrepreneurial development in the population in general and in particular to motivate women. Most government sponsored programs are targeted to help low income women.

The following is a list of government agencies that offer entrepreneurial development programs in general and women programs are highlighted:

SERNAM²¹. National Women Services. A ministerial office that serves as the umbrella organization for women policies and affairs. It promotes equal opportunity and oversees law enforcement to protect women. It sponsors the entrepreneurial program called “Enterprising Women”²² delivered by local offices in 15 territorial regions (Regiones) along Chile that distribute information, provide basic business training, coaching, and access to funds for women who accept SERNAM’s supervision of their business endeavors. Although the amount of funds provided is small, it helps women start a new venture. SERNAM provides free childcare and nursery centers for women while they participate in training sessions or take care of business paperwork. Most government agencies that offer assistance programs for women also provide child care because this is one of the most critical obstacles for women to participate in the work force.

Additionally SERNAM supervises deployment of a variety of national initiatives to strengthen women’s confidence to enter and remain in the workforce. It enforces legal reform and laws on natal parental care, post-natal parental leave, which was recently extended to 24 weeks, and provides working women the flexibility to share

²¹ www.sernam.cl

²² www.sernam.cl/mujeremprende/

time with the baby's father²³ as part of her leave. SERNAM also enforces the Child Raising Shared

Responsibility Act of both parents, Reconciliation Bills, Marital Community Property Regime Bill (2011), Child Alimony Bill (2012), Day Care Bill (2013).

CORFO²⁴. National Corporation for Production Promotion is the government agency responsible to deploy national policies that promote entrepreneurship and innovation in the 15 regional subdivisions of Chile²⁵. CORFO offers a comprehensive national program that includes distribution of seed capital funds to promote entrepreneurial growth and business expansion aligned with the Chilean strategy of a social market economy targeting increases in national productivity and international competitiveness. In terms of international competitiveness, Chile was the 13th most competitive economy in the world in 1995²⁶. In 2013 it was ranked in 34th place among 148 countries included in the annual Global Competitive Index of the World Economic Forum²⁷.

FOSIS²⁸. Solidarity and Social Investment Fund. Division of Ministry of Social Development. This national program provides help to low income persons with the purpose to start entrepreneurial ventures. It offers psycho-social and socio-vocational support, housing solutions, training in public networking and education and training for employed and independent low income workers on financial literacy, micro entrepreneurship, and how to create small vegetable gardens to improve nutritional habits in the population. FOSIS provides child care for women and men attending activities

²³ In 2013, only 3 percent of the fathers took advantage of the parental leave law.

²⁴ www.corfo.cl

²⁵ www.corfo.cl/regiones

²⁶ Lepeley & Albornoz (2013).

²⁷ www.weforum.org/reports/global-competitiveness-report-2013-2014

²⁸ www.fosis.cl

SERCOTEC²⁹ (Technology Cooperation Service) a division of the Ministry of Economics. Offers national program through information centers along Chile and in local offices that provide training face to face and online in business management, networking, business development and collaboration. It offers funding for startup ventures and promotion of small and medium size enterprises. It directs a seed capital program called “Bee Capital”, where women starting a business or small / medium business owners can postulate to get funds. Child care is available for women attending these centers

SENCE³⁰ National Training and Employment Service, a division of the Ministry of Labor. A government agency responsible to supervise training policies and programs in the workforce, including training subsidies. SENCE supervises a national network of public and private technical training organizations (OTECs) offering programs to increase productivity of the workforce and international competitiveness of Chilean businesses and exports.

Most national programs are targeted to help low income people in general and women in particular, promote equal opportunity and help low income people become financially self-sufficient and independent.

6.4 Women and Opportunity Entrepreneurship

Women entrepreneurs in higher income brackets or higher level of education can opt to participate in some government programs, but the level of bureaucracy and time necessary to comply with application requirements usually discouraged them and prefer to seek support in the family, with friends, or with social or business

²⁹ www.secotec.cl

³⁰ www.sence.cl

networks, university training, or paying membership in women's business associations or Chambers of Commerce.

Gundry & Welsch (2001) identify the characteristics of growth oriented women across a wide range of industrial in the following list, which also helps to understand motives of women in opportunity driven entrepreneurship:

- Strategic intentions with emphasis on market share growth and technological change
- Strong commitment to achievement and business success
- Team-based organization model
- High concern for quality standards and business prestige
- Sustainable funding and capitalization
- Strong leadership and broad range of financial sources to expand business venture

In Chile there are many entrepreneurial women with these characteristics, group that is most likely driven by opportunity to develop a business venture rather than by a necessity drive. Nonetheless, this assumption needs a degree of cautious and the entrepreneurial necessity drive should not be totally excluded in this cohort without further analysis.

In Chile the entrepreneurial opportunity hypothesis may be supported by the following factors related to educational attainment: parity rate of female / male enrollment in elementary, secondary and particularly in higher education³¹. Data

³¹ PNUD Chile. Citation February 15, 2014.

from the World Bank³² show that the ratio of female to male primary, secondary and tertiary enrollments, are 97%, 103% and 110% respectively.

Women with higher education show higher tendency to be more creative which is important to generate new ideas and induce business innovation with potential to transformed a startup into a sustainable business enterprise.

But the entrepreneurial necessity motive may well be also a factor among women in the moderate income cohort because the divorce rate has increased substantially in Chile³³. This indicates that the economic and social changes that fueled development are based on increase gender parity that increase education opportunities allowing women to become financially independent and able to choose options in life that were unattainable in the past in a traditional homophobe oriented society.

A study conducted by the International Food and Research Institute³⁴ shows that in developing countries laws and policies that give women more options in education and marriage, such as equal division of assets and divorce legalization, change their perception of life and marriage giving them a better understanding of their improved legal and economic position and more control of their destinies; including their perception of a better future for their daughters.

The need for research to clarify motives and circumstances that drive women to opportunity or necessity entrepreneurship in critical to assess if higher education and higher income can explain relative high level of women business owners in the informal market category in Chile (Contreras et al (2011)).

This information is necessary to show experience of women entrepreneurs in a developing country with a long history in entrepreneurship and may support the

³² Catalog Sources World Development Indicators 2012, <http://data.worldbank.org/indicator/>

³³ La Segunda. June 7, 2012.

³⁴ Kenny, C. Divorce's Rise in Emerging Economies Helps Women Get Ahead. Bloomberg Business News. Global Economics. September 5, 2013.

hypothesis of the authors of this study, who think that there are significant differences between the needs of women with low resources (EWLR) and women with high resources (EWHR) that justify a clear differentiation in programs, policies and support mechanisms for women entrepreneurs driven by necessity or opportunity to attain effective help objectives.

We identify entrepreneurial women with low resource (EWLR) those with low educational level in lower income brackets and high level of participation in the informal sector. We identify entrepreneurial women with high resources (EWHR) those that have attained higher levels of education (commonly higher education degrees), have adequate financial resources and a relatively lower participation in the informal economy. This differentiation may provide new insight how to evaluate entrepreneurial performance as necessary condition to increase women participation in the formal economy that make a real contribution to national economic growth, and not exclusively as a source of personal income.

6.5 Different Needs Require Different Support Mechanisms

Changing demands of entrepreneurial women with high resources EWHR in Chile have generated an increasing number of support mechanisms in the private sector, including programs led by business associations that organize events, contests, give prizes to innovative entrepreneurial ventures, organize meetings where women entrepreneurs share experience and learn about successful business ventures of other women, attend lectures of female role models or entrepreneurship experts on business planning, how to start a business and quality standards that lead to improvement and business sustainability.

One of the most successful programs addressing focused on the needs of WEHR is Chile-Emprendedoras (Chile-Women Entrepreneurs). This program was started in 2010 by the Inter-American Development Bank (IDB), Multilateral Investment Fund of the IDB Group (Fomin) and so far has generated a network “Women

Entrepreneurs”, and a liaison of institutions that include a university research center called Study Center of women entrepreneurs (CEEM) at Universidad del Desarrollo, university ranked in first place in entrepreneurial studies in Latin America³⁵ and where two co-authors of this study work³⁶, and the business incubator “Octantis” at Universidad Adolfo Ibañez, ranked the best business school among 47 business schools in Latin America³⁷, and the international entrepreneur acceleration project “Endeavor”³⁸, this project was coordinated by the Santiago Commerce Chamber to project the importance of women entrepreneurs with the purpose to create a network of angel capitalists to support sustainable business projects with scalable growth potential.

6.6 A Proposal to Advance in Business Sustainability

In a global economy where continuous change is the only constant, women entrepreneurs confront surmounting challenges that create crucial need for effective support mechanisms to satisfy constantly changing customers’ demands, market conditions, supply chains, competitors, and technology.

Then, the questions we need to answer are: how well prepared are women entrepreneurs to adapt and adopt continuous change? What do they need to learn in terms of knowledge and resources to transform small ventures into sustainable business in this dynamic local and global environment? How can we help them to act locally and succeed globally?

A study conducted in 2002 by Muller, M & C, Kligman to assess the needs of professional women between 30 and 50 year in Buenos Aires, Argentina revealed the following constraints working women confronted in a developing country a decade ago:

³⁵ Lepeley & Albornoz (2013).

³⁶ Pizarro & Mandakovic

³⁷ Lepeley & Albornoz (2013).

³⁸ www.endeavor.org & www.endeavor.cl

- Difficulty to coordinate work schedule with motherhood and home responsibilities.
- High level of work commitment induces stress to harmonize motherhood and work responsibilities.
- Need to share parenthood and home responsibility between males and females.
- Need for equitable work responsibility and salaries between males and females.
- Need to promote effective collaboration between males and females at work.

These professional women also identified work satisfaction and value in:

- Communication with clients and coworkers.
- Opportunity to help others.
- Consider professional work productive and vital to give meaning to life.
- Work responsibilities induce social learning and creativity.
- Economic independence.
- Value multidisciplinary work opportunities.
- Contributing to society and do voluntary work.

A study conducted in 2007 by Pizarro, O³⁹. and Saenz, M.L. at Universidad del Desarrollo in Santiago, Chile collected information about the challenges of executive and entrepreneurial women who participated in six focal groups surveying the benefits and costs of work with the purpose to create programs effective to meet the needs and expectations of future generations of women in the labor market. These are the findings and recommendations:

- Discover your talents, find your passions, and design a strategy to use your talents to achieve your passions.

This dimension is important because, compared with men, women get not only rationally but significantly emotionally involved in what they do. Then if passion is missing, interest decreases, work productivity suffers, and frustration increased. This would be a sufficient reason to look for a work change.

- Create, participate and promote Networking.

Connections are in women nature. Women are genetically predisposed to communicate, help others, and have an innate sense of belonging and team building. Nurturing these important Soft Skill, which today are highly demanded by business CEO's worldwide⁴⁰ give women competitive advantages in the labor force.

- Use communication skills effectively.

Effective communication skills allow women to develop effective leadership required to participate actively in business and make positive impact in professional associations. Also help entrepreneurial women to create "flat organizations" and manage effective work team avoiding the detrimental effect of hierarchical structures that obstruct business improvement and sustainability.

³⁹ Co-author of this chapter.

⁴⁰ Lepeley & Albornoz (2013).

- Search sponsors and mentors.

Women who had participated in women's association highlighted the valuable support they had received from these sponsors to improve and consolidate their businesses. Women who had had mentors, either family members, friends or colleagues, a person who could listen to them without making negative criticism or judgment, but offering opportunity to discuss ideas and problems, added a significant value to a brainstorming and feedback.

- Work to develop self-confidence and then trust in yourself.

Self-esteem is the most important attribute in a leader. In developing countries cultural issues and stereotyping have worked historically and strongly against women's self-confidence. So one of the most important recommendations for women is to work hard and conscientiously to develop self-assurance to gain genuine personal empowerment. No one else will do it for you!

- Women don't need help, they need collaboration.

The stereotype that women need help at work and at home is misleading and obsolete. What women need today is collaboration, at work and at home.

- Be fully aware of your strengths and work on areas you need to improve.

Women have a natural tendency to multitask and have difficulty to delegate. Train others the way you consider appropriate and learn to delegate, make clear your expectations of timing and be unequivocal about results. In order to delegate you have to know yourself first. And, do not ever waste time working on your "weaknesses", because nature knows better... nobody perfect. But INVEST time and efforts to improve areas you will use and need to be more productive.

- Be permanently focused on continuous learning in your areas of interest.

Release your guilt of ignorance and gain the gift of knowledge. The world is changing fast and work demands too. Gaining knowledge does not refer necessarily or exclusively to get an advanced academic or professional degree, albeit for some may be a call, but for many working people may not. Fortunately the world and the world wide web gives invaluable opportunities to become an expert in fields that women entrepreneurs feel passionate. It has never been so easy to learn. It has never been so difficult to be selective in what is necessary to learn to add value to your life and experience. Technology provides significant help for continuous learning, to strengthen a business, and to keep a healthy and active brain and a long life.

- Work to effectively synchronize family and work and get leisure time too.

This is a critical subject not only for working women in Chile but for women around the world. It is not only associated with child raising responsibility, but with responsibility to care for older parents or sick family members. Decisions have to be made in advance and planning of shared time and responsibility are due. Beyond this, increasing number of studies highlight critical need for relaxation, good nutrition and exercising to keep a healthy body and an alert brain for a life time.

- Support other women and improve together.

Women who participated in this study highlighted the help and support received from other women and recommend women to do the same, largely because there are not enough effective support mechanisms for women in the workforce and in entrepreneurship. It seems that to share personal experiences of success and what women have learned from adversity and failure, were most important. Similarly, Prasad et.al (2013) show that for women entrepreneurs in India, a significant contributor to business growth were social capital factors related to the

size of individuals' business networks and the support received from family members.

7 Closing remarks

Our observations show that women in entrepreneurship have had exponential growth in the last four decades, but today the programs to help women have reached a plateau and women entrepreneurs are facing significant challenges induced by fast changes that affect entrepreneurial activities. And we can generalize that this finding apply to both, necessity and opportunity entrepreneurship.

Although Chile has made remarkable advances promoting entrepreneurship as an economic development strategy since the late 1970's, and from the late 1990's until today the government has done a high level of investment to create national programs to consolidate entrepreneurial development, on the positive side results show that these programs a) have significantly increased the number of low income women involved in entrepreneurial activities driven by necessity, b) that have contributed to decrease level of unemployment to 5.7 percent in 2013, and c) have played an important role reducing the poverty level to from 50 percent in the mid 1960's to 14.4 percent in 2012⁴¹.

On the other side the rates of return to investment in entrepreneurial policies and programs seem to be below expectations considering that in 2011 more than half of women entrepreneurs conducted business activities in the informal sector and were unable to enter the main economic stream and make a real contribution to national economic growth.

This gap creates urgent need to objectively evaluate the outcome of national programs in entrepreneurial development with the purpose to improve or re-design

⁴¹ CASEN survey 2012.

them closely monitoring quality standards of the services provided with reliable assessment methodology necessary to make decisions to increase investment returns.

It imperative to evaluate why needs of women entrepreneurs in the high income – high education brackets that remain in the informal sector because this cohort, which receives minimal support from government programs may get it from the new program Chile-Emprendedoras (Chile-Women Entrepreneurs), coordinated by important conglomerate of universities and business associations that can help insert these enterprises in the formal economy in the shortest possible time period.

Chile is a country with a widely open economy and a significant level of dependency on exports. Consequently women entrepreneurs need critical support in business internationalization, including a deep understanding of international markets to be able to grasp opportunities and manage competitiveness to their advantage, developing effective international negotiation skills, ability to create partnerships, assume leadership roles, and incorporating the latest technology to advance innovation as necessary condition to attain business sustainability. Women entrepreneurs in Chile and other developing countries, but also in developed economies will face surmounting challenges and need effective support. Developing capacity to adapt to adverse circumstances and adopt innovation will be a most desirable skills to succeed maximizing the benefits and minimizing the costs of doing business in the global economy.

The road ahead is brighter for women entrepreneurs in developing countries. And it is also a considerable challenge and an opportunity, in Chile and worldwide, for visionary governments, educational institutions, and executive education centers that can help women entrepreneurs.

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