

UNDERSTANDING THE GENDER GAP IN SMALL BUSINESS SUCCESS *Urban and Rural Comparisons*

SHARON R. BIRD
STEPHEN G. SAPP
Iowa State University

The authors explore how urban versus rural community location shapes the extent to which various individual, relational, and structural factors affect the gender gap in small business success. Building on previous research on gender and small business success, gender queuing theories, and gendered organization/institution theories, they develop a place-specific theory of the gender gap in small business success. The findings, based on small business data collected in urban and rural Iowa (1995 and 1997), support queuing arguments and raise questions about the effectiveness of crowded-sector explanations. They indicate that the gender gap in small business success operates such that men-owned businesses are more successful in both urban and rural settings but that men-owned businesses are even more successful than women-owned businesses in urban than rural communities. The authors discuss the causes and consequences of the gender gap in small business success in rural and urban places and identify key issues for further research.

Keywords: *gender queuing; small business success; women-owned businesses; urban and rural communities*

Women's ownership of U.S. small businesses has increased rapidly in recent decades, from 22 percent of all self-employed persons in 1976 to 38 percent in

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REPRINT REQUESTS: *Sharon R. Bird, Department of Sociology, Iowa State University, Ames, Iowa 50011-1070; e-mail: sbird@iastate.edu; phone: (515) 294-9283.*

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2001. Revenues generated by women-owned businesses continue to grow (Walthall 2001). However, women-owned businesses' share of total business receipts remains far lower than receipts from men-owned businesses (U.S. Small Business Administration 2001). While the gender gap in small business economic success has prompted many recent studies (Kalleberg and Leicht 1991; Loscocco and Leicht 1993; Tigges and Green 1994), new studies that examine the relative success of women- and men-owned businesses in different community contexts are still needed. Most studies on gender and business make no distinction between rural and urban places (e.g., Kalleberg and Leicht 1991; Loscocco and Robinson 1991). And while a few studies focus on businesses in either rural or urban places (Bird, Sapp, and Lee 2001; Tigges and Green 1994), none draw place-specific comparisons.

In this study, we examine the gender gap in small business success in urban and rural places. Patterns of small business economic success, as noted by Loscocco and Robinson (1991) and Tigges and Green (1994), are consistent with gender queuing perspectives (Reskin and Roos 1990) because women-owned businesses are overrepresented in the least profitable industries and sectors. The same perspective, if applied to ownership patterns by urban and rural places, suggests that women-owned businesses would be overrepresented in rural communities, where profits are lower than in urban communities. Gender-queuing arguments suggest, furthermore, that where profits are lower, the gender gap in economic outcomes will be smaller.

We examine these issues and whether the determinants of the gender gap in small business success operate differently in urban and rural places. Building on a model developed previously (Bird, Sapp, and Lee 2001), we argue that the economic and social structures within which small businesses are located shape how human capital, social networks, use of human resources, and structural barriers affect small business success for women and men owners. We also extend our model by incorporating gendered structures in urban and rural business places. Our findings, based on data collected in rural and urban Iowa in 1995 and 1997, show that the mechanisms linking small business owners to success are gendered in multiple and complex ways. Consistent with gender queuing arguments, the gender gap in small business success is smaller in rural communities. We discuss both the causes and the consequences of the gender gap in small business success.

SOURCES OF THE GENDER GAP IN SMALL BUSINESS SUCCESS

Causes of the gender gap in small business success include organizational context and structure as well as owners' human capital, social networks, commitment to the business, and personal characteristics (Kalleberg and Leicht 1991; Loscocco and Robinson 1991; Tigges and Green 1994). Bird, Sapp, and Lee's (2001) "structural relational" model helps explain how predictors are linked in their effects on

the gender gap in business success. Small businesses and their owners “are embedded in gendered social structures and shaped by gendered social relational practices and processes” (Bird, Sapp, and Lee 2001, 512). Business structure variables, such as industry location, explain much of the gender gap in business success. Women are more likely to own businesses in personal services or retail shops. Previous studies suggest that because these businesses are in more crowded, competitive economic sectors, they are less financially successful than other businesses (Bird, Sapp, and Lee 2001; Kalleberg and Leicht 1991; Loscocco and Robinson 1991; Tigges and Green 1994). Previous studies also show larger businesses are more successful than smaller ones (Loscocco et al. 1991). And although findings are mixed regarding the structural barriers owners face, many studies show men owners have greater access to and use credit in ways most conducive to financial success (Aldrich 1989; Fischer, Reuber, and Dyke 1993; Hisrich and Brush 1987).

Gender also organizes human capital investments, social networks, and owners’ business goals. These factors, in turn, affect business structure and success. Men’s higher collective social status and common gender practices, for example, encourage them to develop the kinds of human capital and social networks most conducive to business success (Aldrich 1989; Baines and Wheelock 2000; Fischer, Reuber, and Dyke 1993; Kalleberg and Leicht 1991). Owners’ human capital investments and social networks may not produce the same benefits to women- and men-owned businesses. Men owners’ civic involvement, for example, may be of greater benefit to their businesses than women owners’ civic involvement (Granovetter 1992). Some studies also suggest women and men owners embrace different business goals and that these differences stem from owners’ different investments in work versus family (Aldrich 1989; Brush 1992). These studies, however, are inconclusive. Some show family responsibilities similarly affect women- and men-owned businesses (Loscocco and Leicht 1993), while others show family responsibilities affect women- and men-owned businesses differently (Bird, Sapp, and Lee 2001). Many studies assume owners who feel strongly about family responsibilities will be less economically motivated (Bird and Sapp 2003; cf. Loscocco and Leicht 1993). Family responsibilities, however, may compel owners to work even harder to provide economically for their families (Loscocco and Leicht 1993). These issues require further exploration.

In addition to the arguments based on Bird, Sapp, and Lee’s (2001) structural relational model, we propose that the gender gap, and the processes that produce it, differs by the type of community in which businesses are embedded (McLaughlin and Perman 1991; Tigges and Green 1994, 290).

URBAN AND RURAL ECONOMIC STRUCTURES: THE CASE OF IOWA

Differences in urban and rural populations and economies help explain the economic opportunities women and men owners, as women and men, face

(Bloomquist 1990; Cotter et al. 1998; Kantor 2002; Tolbert and Lyson 1992; Padavic 1993; Tickamyer and Latimer 1993). Urban populations in Iowa, like the rest of the United States, are younger and more educated than rural populations (Iowa State University Rural Development Initiative Project 1995/1997). Younger, more educated populations attract different kinds of businesses than older, less educated ones. Economic downturns, such as the 1980s' U.S. Midwest Farm Crisis, also affect job and business opportunities in urban and rural places (Padavic 1993; Tolbert and Lyson 1992, 497). Farm consolidation in the Midwest increased labor demands in management and record keeping in rural areas and decreased farm labor jobs (Padavic 1993, 224). Iowa employment in manufacturing grew in recent decades, and grew even faster in rural than metro places, although urban manufacturing jobs are still more plentiful. Service and retail jobs have grown faster than other jobs (Eathington, Swenson, and Otto 2000). From the 1980s to the early 1990s, economic recovery metro job growth far exceeded rural job growth (Eathington, Swenson, and Otto 2000).

These economic and demographic shifts affect women's and men's economic opportunities differently (Tolbert and Lyson 1992). In Iowa, full- and part-time urban employment exceeds rural employment for women and men. Women's overall labor force participation, however, is lower than men's, and the gender margin is even larger in rural places (Iowa State University Rural Development Initiative Project 1995/1997; Swanson and Butler 1987). While labor force participation nationwide is similar for urban and rural full-time married women workers (Cotter et al. 1996), rural women are more underemployed (Lichter 1989). But since the early 1970s, increased labor demands in management and record keeping (due to farm consolidation) have helped pull rural women out of unwaged farm labor and into paid labor (Padavic 1993, 224). As economic prospects for rural women have grown, prospects for men in higher-wage, men-dominated fields have declined.

Women's and men's opportunities in paid labor influence motivations for small business ownership (Carr 1996). Women's and men's experiences in paid labor also contribute to business management skills. Thus, rural versus urban and gender differences in employment also can influence the gender gap in small business success (Clark and James 1992; Reskin and Padavic 1994). Historically, women-owned U.S. businesses have been more likely to be located outside metro areas (Clark and James 1992, 28). In the state of Iowa, women-owned businesses (with paid employees) compose 16 percent of rural but only 11 percent of urban businesses (U.S. Census Bureau 1997). We theorize below that this pattern reflects gendered economic opportunities in urban and rural places.

A PLACE-SPECIFIC THEORY OF GENDER AND SMALL BUSINESS SUCCESS

Previous research on the gender gap in small business success examines context almost exclusively in terms of business industry (Kalleberg and Leicht 1991;

Loscocco and Robinson 1991). While some studies also control for rural versus urban regions in statistical analyses (Carr 1996), none compare the two. Examinations of gender and small business success in rural places alone find that the gap favors men-owned business (Bird, Sapp, and Lee 2001; Tigges and Green 1994). The same is true of businesses in urban places (Kalleberg and Leicht 1991). But is the size of the gender gap in small business success the same in rural and urban places, and are the factors that produce it the same?

As Loscocco and Robinson (1991, 521) noted, the recent increase in women-owned businesses appears to represent women's expansion into industries least attractive to men owners. Gender segregation of business ownership follows patterns in paid labor whereby declining economic opportunities in an occupation compel men workers to leave, thereby opening doors for women (Loscocco and Robinson 1991; Reskin and Roos 1990; Tigges and Green 1994, 305). Gender queuing theory (Reskin and Roos 1990) explains that women's entry into work previously dominated by men has occurred historically in conjunction with deskilling, loss of autonomy, and falling wages. All workers in previously men-dominated occupations earn less than workers in men-dominated fields of work, but women in these occupations earn wages that are better than in most female-dominated occupations. The gender gap in earnings is also lower in such occupations but still favors men (Reskin and Roos 1990).

The growing earnings gap between urban and rural places (Cotter et al. 1996; Levy 1995) suggests a similar pattern whereby declining job autonomy and earnings have reduced the appeal of rural employment for men while opening employment doors for women (Padavic 1993). Earnings from paid labor are lower in rural than urban areas (Cotter et al. 1996; see also Levy 1995). The gender earnings gap has declined in urban and rural areas in recent decades. The reduction in rural areas is the result of men's falling wages, but in metro areas, the reduction is a product of women's increased earnings (Cotter et al. 1996). Thus, the employment opportunities rural women have gained represent increased employment in low-skill, low-paying jobs.

The logic of gender queuing theory, if applied to small business ownership, suggests that women-owned businesses would be more heavily concentrated in industries where rewards and opportunities are lowest. Extending this logic, we would also expect women-owned businesses to be overrepresented in geographic areas where profits are lower. Men business owners are less likely to be constrained by geographic location than women owners because men typically have fewer family and household responsibilities and women tend to be more supportive of men's business endeavors than vice versa (Mulholland 1996; Nelson and Smith 1999). These factors enhance the position of men-owned relative to women-owned businesses geographically in small business queues.

In paid labor, men obtain higher status and rewards in organizations dominated by men as well as those more integrated by gender (Reskin and Padavic 1994). As gender and work theorists explain, positions historically held by men are routinely refilled by men, which helps perpetuate and enhance men's positions of power

(Acker 1990; Reskin 1988). Gendered social institutions, organizations, and practices shape social relations between and among women and men such that men's collective status, power, and opportunities are consistently reinforced (Acker 1990; Martin and Collinson 2002).

Men-owned businesses are likely to enjoy similar advantages in economic hierarchies. In industries and locations where men-owned businesses historically have had strong support from customers, business networks, and families, they probably continue to receive it. Men-owned businesses with a history of commerce in either rural or urban communities would continue to be supported as long as the community could afford to do so. In declining local economies and industries, men-owned businesses are more apt to choose to leave, creating gaps for women-owned businesses to fill, but in business niches with less long-term potential. Based on this logic, we would expect rural women-owned businesses to fare better relative to their men-owned counterparts than urban women-owned businesses.

If in rural places, women- and men-owned business sales more closely approximate one another, as we predict, how might women- and men-owned business in urban areas fare relative to one another? Gender segregation of business ownership by industry advantages men-owned businesses in both rural and urban areas. But in newly emerging urban industries with little history of a gendered division of labor, women- and men-owned businesses may start on more equal footing. If, however, emerging business networks in newer industries follow well-established patterns of existing business networks, urban women- and men-owned businesses, even in new industries, are likely to be isolated from one another.

In addition, the larger size of urban communities suggests that men and women owners' social and business networks will overlap less in urban than in rural places. Opportunities for women owners to be involved in women's business networks, however, may be greater in urban places. The mere existence of women's networks may enhance community support and access to resources for the women-owned businesses in urban places (Davies-Netzley 2000). To summarize, we predict that the gender gap in small business success will be smaller in rural than urban places. And expanding on Bird and colleagues' (2001) structural relational model, we examine whether determinants of the gender gap in small business success operate differently in urban and rural places.

METHOD

Sample

Data were collected in 30 rural and 10 urban communities in Iowa. Rural data (population $\leq 10,000$) were collected in 1995 and urban data (population $> 10,000$) in 1997. The rural communities were randomly selected from a larger sample of 99 towns, which were selected at random to represent each of the state's 99 counties (see Besser 1998 and Ryan and Grewe 1998 for full sampling procedure). Urban

places were selected at random to represent the various regions of Iowa. Businesses were then selected at random from a list of all businesses drawn from local telephone books. Telephone interviews, lasting approximately 35 minutes, were used to collect information from business owners. The owner participation rate was greater than 80 percent. Our sample closely corresponds to the distribution of businesses across industries in Iowa and across the nation overall (U.S. Census Bureau 1997). Our sample consists of 3 percent manufacturing, 3 percent transportation, and 5 percent wholesale businesses. In the state, manufacturing, transportation, and wholesale represent 5, 6, and 9 percent, respectively. Retail, financial, and service industries are slightly overrepresented in our sample (28 percent retail, 13 percent financial, and 34 percent services). In the state, retail, financial, and service businesses represent 26, 10, and 32 percent of all businesses. In construction, our sample matches figures for the overall population. Women-owned businesses in our sample are overrepresented in services, especially personal services, and in retail. These patterns are similar to patterns nationwide.

The size of a "small" business, according to the U.S. Small Business Administration (2000), may be fewer than 100 employees or greatly more than 1,000, depending on industry location. Size categorization may also depend on total revenues and production. To limit our examination to the most comparable women- and men-owned businesses, we defined small businesses as those employing 100 or fewer full- and part-time workers (not including owner[s]). Most of the businesses surveyed (98 percent) fell within this size range. Side businesses operated out of peoples' homes and businesses and not listed in telephone directories were not surveyed. We excluded from our sample businesses whose owners belong to a racial/ethnic minority group, cases with missing data, and businesses owned by women-men partners ($n = 150$). Lack of racial and ethnic diversity in the sample reflects lack diversity in business ownership statewide. The 1997 U.S. Economic Census revealed that only 2 percent of Iowa businesses statewide are owned by racial and ethnic minorities. Our final sample contains 131 businesses owned by one or two white women and 526 by one or two white men. Twenty-two percent ($n = 91$) of the rural businesses were owned by women and 78 percent ($n = 332$) by men. Seventeen percent ($n = 40$) of the urban businesses were owned by women and 83 percent ($n = 194$) by men.

Variables

Dependent variable. Consistent with previous studies on gender and small business economic success (Loscocco and Leicht 1993; Tigges and Green 1994), business success was measured by gross sales, a self-reported figure. Because the rural and urban data were collected in different years (rural 1994, urban 1996), we adjusted urban sales figures to reflect 1994 dollars. We used the log function of gross sales to normalize the distribution but henceforth refer to this variable as gross sales. To assess the health of local economies in the years the data were

collected, we included a control variable for level of consumer spending in local markets. "Retail pull factor" scores (Stone and Artz 2001) were obtained by taking per capita sales for each community and dividing by per capita sales for the entire state. A pull factor of less than 1.00 would indicate that local consumers shop outside their community, thus affecting local business sales negatively. Scores greater than 1.00 would indicate that a community draws consumers from the local area and beyond, thus affecting local business sales positively. Lower pull factor scores may also reflect the low average incomes of the resident of a community, compared to state averages. This variable is referred to hereafter as retail pull.

Independent variables. Our first set of independent variables assesses effects of business structure on gross sales. Industry location is a dichotomous variable coded 1 for businesses in crowded sectors (retail and personal services) and coded 0 for all others. The variety of industries in our sample limited our ability to create more refined comparison between women- and men-owned businesses by economic sector. One would expect that even within industries, differences in businesses owned by women and men would help explain the gender gap in rural and urban places. If, for example, men-owned retail businesses in urban areas involved more expensive products, as with car dealerships and furniture stores, then men-owned businesses in urban places would fare better than men-owned retail businesses in rural places. Such difference would not reflect rural versus urban location per se but rather industry representation in those locations.¹ Close inspection of the three-digit Standardized Industrial Classification codes, however, reveals very little difference in representation of these types of businesses in rural and urban places. And where differences do occur, they do not follow patterns suggested above. Ownership of car dealerships, for example, was slightly higher in rural than urban places (i.e., 1.65 and .86 percent, respectively). Gender gaps in representation of women- and men-owned businesses by industry in rural and urban places were very similar in our sample. Women-owned manufacturing businesses constituted 1.00 percent of women-owned rural businesses, and men-owned manufacturing businesses 2.11 percent of men-owned rural businesses. In urban areas, women-owned manufacturing businesses constituted 2.50 percent of women-owned businesses, and men-owned manufacturing businesses 4.12 percent of all men-owned businesses. Overall, these patterns suggest that conflation of industry sector with rural versus urban location should be minimal in effect on the gender gap in sales. Consistent with gender queuing arguments, all car dealerships were men owned. All furniture stores in rural areas were women owned, but were men owned in urban areas. The more lucrative industries in noncrowded sectors (e.g., manufacturing firms) were more often men owned and better represented in urban than rural places (3.80 and 1.90 percent of all businesses in urban and rural places).

Locale is a dichotomous variable, coded 1 for urban and 0 for rural communities. Business size (logged) is based on number of owners plus the number of full- and part-time workers, as reported by the owner. Full- and part-time employees are included because of the importance of part-time employees to small business

operations (Tigges and Green 1994). We based business age (logged) on owners' responses to the question, "In what year did this business begin its current operations in this community?" We conceptualized access to credit in terms of owners' reported experiences with financing during the previous two years. Owners' responses were coded 1 if the business owner sought and received financing, 0 if the business owner did not seek financing, and -1 if the owner sought financing but was denied.

Our second set of independent variables represent owners' human capital, social networks, and ambition. We used three indicators of human capital: years of work experience, previous ownership experience, and professional development. We measured work experience in terms of years of employment in "the line of work you are in now." Prior ownership is a dichotomous variable based on ownership of any other business (coded 1 = previous ownership, 0 = none). And professional development is based on responses to the question, "Have you participated in any training or professional development in the past three years?" (coded 1 = yes, 0 = no).

Civic involvement represents network associations likely to connect owners with locally influential people. This index is calculated by adding the number of "yes" responses to four items. These items included, for example, "Since you have become the owner or manager of your business have you . . . held an elected office for your community," or ". . . occupied a leadership position in a civic organization or a church?"

Owners' ambition for financial success is represented by owners' time commitments to the business (owners' hours per week at the business; log function, self-reported) and profit motive, based on owners' responses to a single survey item: "Overall, would you strongly disagree, disagree, neither agree nor disagree, agree or strongly agree with the following statement? Showing a profit is the most important measure of business success." High scores represent high profit motive. The following demographic variables were also included: Sex, age, marital status (coded 1 = married, 0 = all else) of the business owner, and number of dependents.²

RESULTS

Table 1 shows the descriptive results. Rural business sales were lower. More rural (55 percent) than urban businesses (41 percent) were located in crowded sectors. Rural businesses were older (24 vs. 21 years), and rural owners were more involved in civic activities. Otherwise, rural and urban small businesses and owners were similar. Consistent with small business patterns statewide, representation of women-owned businesses in our sample was higher in rural (21.51 percent) than urban (17.09 percent) places. Compared to the proportions of women- and men-owned businesses in urban and rural places statewide, women-owned businesses in our sample are overrepresented. Statewide, women-owned businesses comprise 16 percent of rural and 11 percent of urban businesses with paid employees. Even so,

TABLE 1: Descriptive Statistics for Small Businesses Listed by Locale and Gender of Owner

Variable	Definition	Urban Businesses (n = 234)	Rural Businesses (n = 423)	Women-Owned Businesses (n = 131)	Men-Owned Businesses (n = 526)
Gross sales ^{a,b} (\$)	Self-reported (logged in the analysis)	1,094,333	553,586	187,898	885,221
Crowded sector ^{a,b} (%)	Crowded = 1, not crowded = 0	41.03	55.32	67.94	45.82
Business size ^b	Range = 1–101 (logged in the analysis)	7.59	5.98	3.73	7.26
Business age ^{a,b}	Range = 1–121 (logged in the analysis)	20.88	24.21	18.66	24.11
Access to credit ^b (%)	Seeking credit from financial institutions				
Did not seek credit	Coded as 0	43.16	35.22	48.85	35.36
Obtained financing	Coded as +1	55.56	63.59	49.62	63.50
Denied credit	Coded as -1	1.28	1.18	1.53	1.14
Work experience ^b	Years in any occupation	21.54	22.05	18.09	22.81
Prior ownership (%)	Yes = 1, no = 0	30.34	27.90	24.43	29.85
Professional development ^b (%)	Yes = 1, no = 0	64.10	61.23	70.23	60.26
Civic involvement ^{a,b}	Index score of four items	1.86	2.18	1.85	2.12
Hours at business/week ^b	Range = 2–90 (logged in the analysis)	49.82	51.82	44.02	52.87
Profit motivation ^b	Range = 1–5	3.63	3.58	3.35	3.66
Female owner(s) (%)	Yes = 1, no = 0	17.09	21.51	—	—
Owner's age	Years	48.99	48.92	48.73	48.99
Married ^b (%)	Married = 1, not married = 0	85.90	83.45	75.57	86.50
Number of dependents ^b	18 years of age or younger	0.78	0.83	0.60	0.86
Retail pull factor ^a	Ratio of sales to potential sales	1.52	0.90	NA	NA

NOTE: NA = not applicable.

a. Difference between urban and rural businesses is statistically significant at $p < .05$.b. Difference between women- and men-owned businesses is statistically significant at $p < .05$.

the urban-rural gap in level of representation of women- and men-owned business in our sample and in the state is about the same (5.42 and 5 percent, respectively).

Descriptive results for women- and men-owned businesses (see Table 1) show women-owned businesses were less successful economically. More women- than men-owned businesses were in crowded sectors, and they were smaller, less established, less likely to have sought financing, and less likely to receive it. Women owners had less work experience, were less involved in civic networks, worked fewer hours, were less motivated by profits, and had fewer children. At the same time, women owners had more professional training, were less likely to be married, and had fewer dependents.

Gender Gap in Small Business Success: Urban and Rural Communities

To distinguish clearly the effects of place on the gender gap in small business success and the variables that potentially create this gap, we first tested our model using the combined urban and rural data sets. Following our discussion of these results, we examine interaction effects by urban versus rural location. In the first step of our analysis, we assess links between owner's gender, intervening variables, and the dependent variable using a polyserial input matrix and generalized least squares estimation (Jöreskog and Sörbom 1993). Table 2 presents the causal paths with statistically significant parameter estimates (urban and rural businesses combined) and moderating effects by business locale. Only the statistically significant interaction effects are shown. Figure 1 then provides a visual representation of paths from gender of owner to gross sales based on parameter estimates shown in Table 2 for the full model ($n = 657$). Solid lines represent paths ultimately linked to business sales, and dotted lines represent links that do not affect business success. Moderating effects of business locale are not represented in Figure 1 but are shown in Figures 2 and 3 and will be discussed later. Coefficient signs are shown only for paths that affect small business success. Paths linking demographic variables other than gender of owner are not shown in Figure 1.

Women owners had fewer years of work experience and were less likely to have owned a business previously but were also more likely to have had recent professional development training. One explanation for this pattern could be that woman owners' social networks are more family oriented than business oriented and that women owners must therefore seek more formal avenues for gaining the experience necessary to operate their businesses (Brush 1992; Moore 1999). Table 2 also shows that parameter estimates for links between a woman owner and civic networks were negative and significant. Women owners spent less time working at their businesses per week and were less likely to define business success in purely financial terms.

As indicated in Figure 1 (and Table 2), most of the human capital, network, and ambition variables directly or indirectly enhanced small business success. Parameter estimates for effects of prior business ownership on business size were positive

TABLE 2: Statistically Significant Parameter Estimates in the Causal Model Listed by Total Sample and by Locale When Locale Has a Moderating Effect on the Causal Relationship

<i>Causal Relationship</i>	<i>Estimate (n = 657)^a</i>	<i>Urban (n = 234)</i>	<i>Rural (n = 423)</i>	<i>Chi-Square Difference^b</i>
1. Retail pull → Sales	n.s.	.063	-.047	4.548*
2. Crowded sector → Sales	-.106**			
3. Urban locale → Sales	.111**			
4. Business size → Sales	.483**			
5. Access to credit → Sales	.073*			
6. Professional development → Sales	.089**			
7. Hours at business → Sales	.131**			
8. Profit motivation → Sales	.061*			
9. Woman owner → Sales	-.251**	-.339**	-.220**	5.313*
10. Married owner → Sales	.096*	.195**	.045	8.805**
11. Woman owner → Crowded sector	.271**			
12. Married owner → Crowded sector	-.160*			
13. Ownership experience → Business size	.106*	.219**	.030	6.514*
14. Civic involvement → Business size	.123*			
15. Woman owner → Business size	-.346**			
16. Urban locale → Business age	-.073*			
17. Work experience → Business age	.322**			
18. Ownership experience → Business age	-.287**	-.428**	-.235**	8.432**
19. Civic involvement → Business age	.108*			
20. Hours at business → Business age	n.s.	.103*	-.065	6.542*
21. Woman owner → Business age	-.130**	-.240**	-.063	7.058**
22. Owner's age → Business age	.225**			
23. Married owner → Business age	n.s.	.068*	-.093*	6.011*
24. Number of dependents → Business age	.136**			
25. Crowded sector → Access to credit	-.121*			
26. Urban locale → Access to credit	-.141**	—	—	—
27. Work experience → Access to credit	n.s.	.074	-.100	4.901*

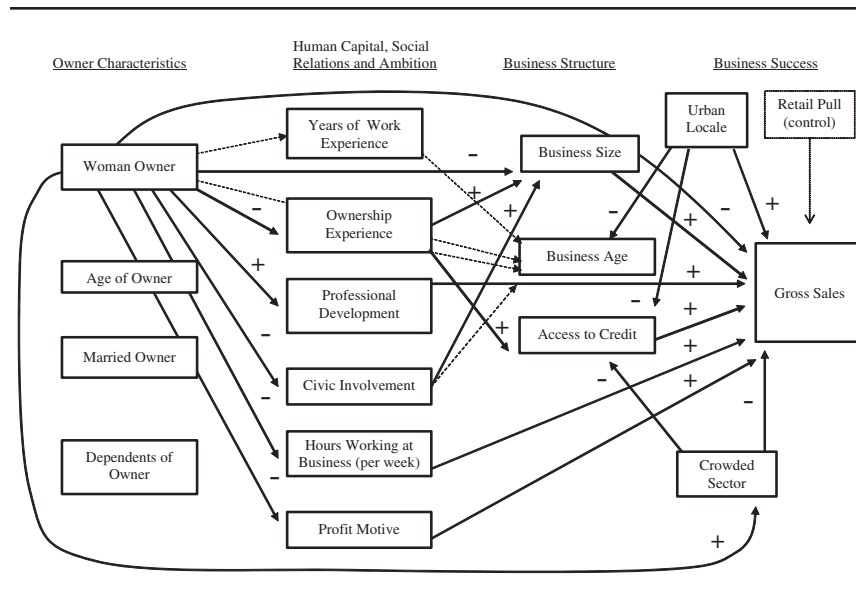


Figure 1: Links Between Gender of Owner, Intermediate Variables, Business Structure, and Business Sales

NOTE: Paths linking demographics other than gender of owner are not shown. Dotted lines indicate paths that do not ultimately affect sales. Adapted from Bird, Sapp, and Lee (2001).

and significant. Bigger businesses, in turn, were more successful. Women-owned businesses, because they were smaller than men's, were less financially successful. One reason for women's smaller businesses, as shown in Figure 1, was that women owners had less ownership experience. Another reason was that women owners were less involved in civic networks. Civic involvement positively influenced business size, which positively influenced sales. Thus, women-owned businesses were less successful. Note also that part of the relationship between women-owned businesses and business size was not due to human capital investments or social relations. Figure 1 (and Table 2) shows a direct negative link between women owners and business size. Women-owned businesses were smaller not only because women owners had less ownership experience and were less involved civically but also for reasons left unaccounted in our model.

Figure 1 and Table 2 show a positive link between ownership experience and access to credit. The more ownership experience, the greater is the owner's access to credit, and in turn the greater the sales. Thus, because women owners had less ownership experience, they were less successful. Professional development had a direct and positive effect on sales. Women's investments in professional business training helped offset the overall disadvantage women-owned businesses faced. Women owners' greater involvement in professional development, as earlier noted, may reflect informal versus formal routes to obtaining business-relevant skills.

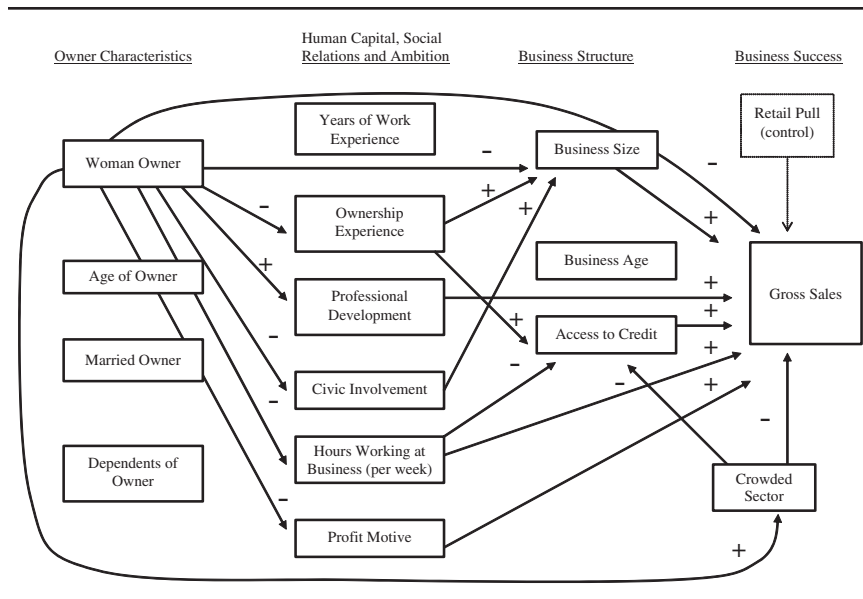


Figure 2: Gender Gap in Small Business Success in Urban Iowa
 NOTE: Paths linking demographics other than gender of owner are not shown, nor are paths that do not ultimately explain variance in the dependent variable. Adapted from Bird, Sapp, and Lee (2001).

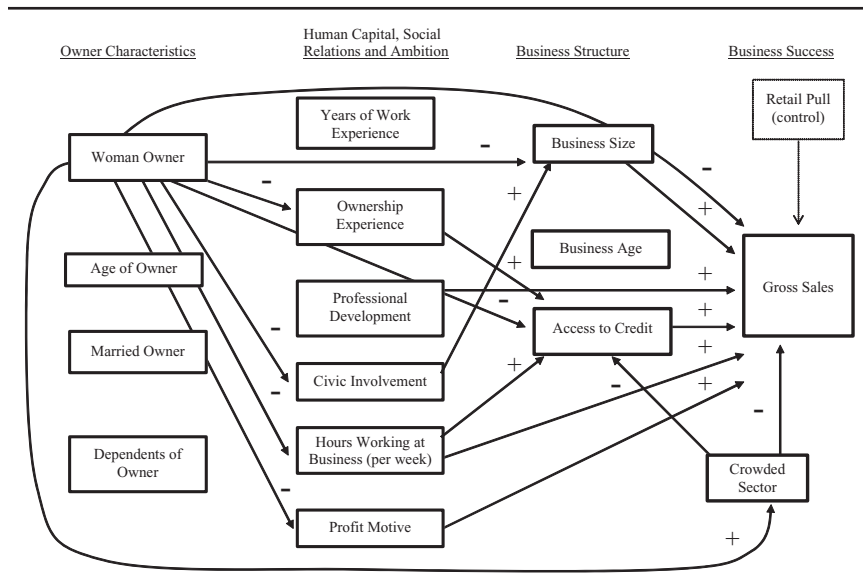


Figure 3: Gender Gap in Small Business Success in Rural Iowa
 NOTE: Paths linking demographics other than gender of owner are not shown, nor are paths that do not ultimately explain variance in the dependent variable. Adapted from Bird, Sapp, and Lee (2001).

Labor studies show that the more formalized the hiring and evaluation procedures, the more equal women's and men's earnings and promotions are (Reskin and Padavic 1994). Similarly, perhaps, the more formalized opportunities for ownership training, the more likely women owners are to gain the skills necessary to increase sales.

Next, Figure 1 and Table 2 show that both indicators of ambition (hours, profit motive) had positive direct effects on gross sales. Because women owners spent less time at their establishments and defined success in less narrowly financial terms, their businesses produced lower sales. These findings support arguments that many women owners seek to balance business objectives with other responsibilities (Brush 1992; cf. Loscocco and Leicht 1993).

Consistent with results from previous studies, results in Figure 1 show women-owned businesses were overrepresented in crowded sectors. Businesses in these sectors, in turn, were less financially successful. Finally, our results show owner's gender influenced gross sales net of all other variables such that women-owned businesses were less successful. Analyses not shown indicate further that gender of owner and business size had approximately the same, and the largest, standardized effects on sales.

To explore the possibility that some of the remaining portion of the gender gap in small business success is due to further gender segregation within economic subsectors (Loscocco and Robinson 1991), we ran the same generalized least squares estimation model excluding businesses in the sector with the highest concentration of women-owned businesses (hair salons). According to these results (not shown), parameter estimates for effect of owner's gender on crowded sector and the direct effect of owner's gender on sales remained significant but were somewhat smaller. The standardized total effect of owner's gender on sales also remained statistically significant. Thus, segregation within crowded subsectors helps but still does not fully explain the direct effects of owner's gender on small business success.

Gender Gap in Small Business Success: Interaction Effects

The right half of Table 2 shows the 13 paths representing moderating effects by urban versus rural location. Effects of retail pull (see line 1 of Table 2) indicate that rural residents shop more outside their communities than urban residents do (and/or that rural incomes are lower). The consumer base in rural areas is generally too small to support businesses that draw consumers from outside the local area (e.g., shopping malls). Small business owners in urban and rural places also face different dilemmas regarding consumer/client practices. Examination of the variety of rural businesses in our sample (five-digit SIC codes) indicates, for example, that only 39 percent of the owners operated a type of business that at least one other sampled owner owned. Among urban businesses, by comparison, 68 percent of the urban owners operated a business that at least one other owner operated. And as noted in Table 1, a larger percentage of the rural businesses (55 percent) are

concentrated in industries typically considered crowded in previous studies (Bird, Sapp, and Lee 2001; Kalleberg and Leicht 1991; Loscocco and Robinson 1991; Tigges and Green 1994). Note, however, that if more rural than urban businesses are one of a kind in their communities, then rural businesses are also less likely to be in competition with each other in their communities. Thus, rural businesses, even those in industries that are typically more “crowded and competitive” in larger communities, are not so much competing among each other in rural places as they are competing with businesses in larger communities (see Eathington, Swenson, and Otto 2000). This suggests that gender gap explanations centering on the overrepresentation of women-owned businesses in highly competitive, crowded sectors help explain patterns in urban places better than rural places.

Next, line 9 of Table 2 (see Figures 2 and 3) shows that while women-owned businesses were less successful than men-owned businesses in both rural and urban places, women-owned businesses were even less successful in urban areas, *ceteris paribus*. This finding is consistent with the gender queuing argument. Women- and men-owned businesses appear to coexist more equally in rural places, where profits are lower.

Figures 2 and 3 show paths linking owners' gender directly and indirectly to business sales in urban and rural places. In both rural and urban places, women owners had less ownership experience, were less involved in civic networks, spent fewer hours at their businesses, and were less motivated by profits. The gender gap in profit motive, however, was even greater in urban areas. Recalling the descriptive statistics from Table 1, note that sample means for profit motive in rural and urban places were the same. Read in light of findings depicted in Figures 2 and 3, this indicates that rural women and men owners' motivations for profit are less polarized than are urban owners'. The smaller gender gap in profit motive in rural communities may be a reflection of rural owners' more limited options for making a living. For urban owners, the larger gender gap in profit motive suggests that profits are less central to urban women than men owners' views of small business success. Urban women owners also may be less reliant on their businesses for incomes than are rural women owners.

Comparisons of Figures 2 and 3 (and line 36 of Table 2) show urban women were more likely than urban men owners to have had professional development training. For rural owners, however, there was no such difference. Descriptive statistics presented in Table 1 showed no overall difference between urban and rural owners in levels of professional training. The interaction effect shown in Figures 2 and 3 therefore stipulates that urban women and men owners were much more polarized in levels of professional development training, with women owners receiving substantially more. In turn, the more professional development training received by the owner, the more successful is the business. That the gender gap in small business success was greater in urban than rural places even though the gap in urban places was somewhat offset by the positive effects of urban women owners' professional development indicates that urban women-owned businesses have much further to climb than rural women-owned businesses to attain levels of

economic success charted by men-owned businesses. Because business sales in rural places are much lower than in urban areas, however, economic prospects for urban women-owned business are still greater.

Figures 2 and 3 (see line 13 of Table 2) also clarify relationships discussed earlier between ownership experience and business size. Ownership experience translated into larger businesses in urban areas only. Larger businesses, in turn, were more successful. The link between ownership experience and business size in urban but not rural areas suggests that previously owned businesses were more of a stepping stone to larger businesses for urban owners. This finding may also indicate that local labor and consumer markets create size barriers for rural businesses.

Civic involvement positively influenced business size in both urban and rural places. Note also (see Figures 2 and 3) that the direct effects of gender of owner on business size operate in both urban and rural samples. Net of human capital, social relations, and ambition, women-owned businesses in urban and rural places were smaller. Previous ownership experience positively influenced access to credit for businesses in both urban and rural places. Access to credit, in turn, positively influenced sales. All other effects involving access to credit on business success, however, differed between urban and rural places. Hours spent by owners at their businesses negatively influenced access to credit in urban places but positively influenced access to credit in rural places. The more hours spent by rural owners at their businesses, the more likely the owners were to obtain financing. The more hours spent by urban owners, however, the less likely the owners were to get financing. And hours spent working at one's business had a direct and positive effect on sales in both urban and rural places.

Recall from Table 1 that most owners who sought business financing received it and that the primary difference in financing between urban and rural businesses was that fewer urban businesses initially sought it. This is not surprising. The late 1980s to the early 1990s was a period of economic recovery in Iowa in which metropolitan job growth far exceeded rural job growth and people began commuting farther to work (Eathington, Swenson, and Otto 2000). Rural owners may have been working longer hours and seeking businesses financing to maintain close relations with consumers who might otherwise do business in urban centers.

Figures 2 and 3 (and Table 2) indicate, furthermore, that net of human capital, network, and ambition variables, women-owned businesses in rural areas were less likely than men-owned ones to have received financing but that in urban places, there was no direct effect of gender of owner on access to credit. The direct effect of gender of owner on access to credit was masked in the findings presented earlier. The negative link between gender of owner and credit in rural places suggests that rural women-owned businesses were viewed by lenders as more risky investments, that rural women owners were more hesitant to seek loans, or both. It may be that in struggling rural economies, men-owned businesses are more likely than women-owned businesses to obtain financing.

Overall, findings presented in Figures 2 and 3 and Table 2 (interaction effects) show that human capital, social relations, and ambition better explain business

structure and sales differences between women- and men-owned businesses in urban than rural places. Although women-owned businesses in rural and urban places face similar barriers to success, urban women owners appear to have greater potential means for overcoming those barriers.

DISCUSSION AND CONCLUSIONS

How does community location shape relationships among factors that lead to small business success? Our results show that urban and rural communities constitute different gendered contexts for small business ownership and success. With growing populations and economies, urban areas attract more consumer dollars than do rural areas. Rural businesses are more likely one of a kind, suggesting that rural populations are too small to support competition between in-town businesses. These findings are consistent with gender queuing arguments. The smaller gender gap in small business success in rural places appears to reflect declining opportunities for rural owners overall. But rural men-owned businesses also appear to have an advantage over women-owned businesses in drawing customers. In urban areas, men-owned businesses appear to be better positioned than women-owned businesses to take advantage of economic recovery. Future studies are needed to refine and test the crowded-sector argument of the gender gap in small business success (Bird, Sapp, and Lee 2001; Kalleberg and Leicht 1991; Loscocco and Robinson 1991; Tigges and Green 1994). It is unlikely that rural women- and men-owned businesses compete against each other. Rather, they appear to be coexisting, serving different functions in segregated business niches within the local community. Additional research using longitudinal data will help clarify how changing economic structures affect rural economies and the obstacles rural women-owned businesses face over time.

Our findings show that women owners make greater use of formal training opportunities. These may be the only kind available in a men-dominated business world. Unlike past studies' findings (Loscocco and Robinson 1991; Mulholland 1996), our findings show that while men owners' family members were more likely to work at the business, family help did not, in turn, affect the gender gap in business sales (see also Bird, Sapp, and Lee 2001). This, however, does not rule out the possibility that other dimensions of family support influence the gender gap in small business success. Women owners' economic activities simply may be considered more "optional" than men owners' by family members, resulting in less moral support from women owners' families (Nelson and Smith 1999).

Our results suggest that women owners overall were less primarily focused on profit. This does not mean, however, that financial success is unimportant to women owners. Women owners may stress financial success along with other goals, such as building positive relations with customers. The argument that women care less about financial success "comes dangerously close to the 'pin money' justification for women's lower wages" (Tigges and Green 1994, 307) and

ignores findings that show women are no less concerned than men owners about financial outcomes (Loscocco and Leicht 1993). Unless research takes into account how gendered institutions and practices contribute to the exclusion of women from business opportunities, financial ambition explanations lead only to victim blaming.

Rural women and men owners were more similar than urban owners in their focus on economic profits, suggesting that small business ownership plays a more similar role in rural than urban women and men owners' lives. Rural businesses, overall, were more likely to seek and obtain financing. And net of all mediating effects, rural men-owned businesses were more likely than women-owned businesses to get financing, suggesting that rural men-owned businesses may be viewed as more worthy investments.

The smaller gender gap in rural small business success, net of other variables, may also reflect differences in how gender ideologies and gender status affect individual economic opportunities under poor economic conditions. Under conditions of lower economic opportunity, women's economic contributions become more essential to families and communities. Given the lack of job opportunities in rural places, owning a business may be the only feasible way for women to work (Clark and James 1992, 32). At the same time, however, women's economic contributions may threaten men's status as breadwinners, leading women and men in (heterosexual) families to minimize women's economic family contributions (Baines and Wheelock 2000; Nelson and Smith 1999; Rubin 1994). The result is a smaller gender gap in economic outcomes and the preservation of men's higher gender status (Rubin 1994). Using this logic, the gender gap in small business success in rural communities is less indicative of women and men owners' capabilities than of how their businesses coexist given the gender and economic frameworks within which owners and businesses operate (see also Baines and Wheelock 2000, 51-52). In urban communities, on the other hand, where economic conditions are better and jobs more available, paid labor offers a more realistic economic option to small business ownership, especially for women. The gender earnings gap in paid labor is much smaller than the gender gap among self-employed persons (Clark and James 1992). Women and men owners in urban places may thus view business ownership differently than do rural owners. Indeed, urban women owners were less motivated by small business profits than were their male counterparts.

Studies that more thoroughly examine differences between women ownership, men ownership, and women-men partnerships in small business success may help unravel links between gender of owner and business success. Our study excludes women-men partnerships. Our results, therefore, tell us little about how women owners who are connected to men owners and their networks navigate gendered power structures in urban and rural places. More extensive network measures will also help address these issues.

We note other reasons for caution when interpreting our findings. While the distribution of businesses by industry in Iowa is similar to the distribution nationwide, gender norms and practices may nonetheless differ by region of the country. Also,

our data were drawn from a population that is overwhelmingly white. More research is needed to explore how gender, race, and ethnicity intersect in small business operations and outcomes.³

Future small business programs and studies must pay specific attention to the gendered organization of communities within which businesses operate if they are to address the actual problems women-owned businesses face. At present, most programs for women-owned businesses focus on individual training and obtaining business loans. But narrowing the gender gap in small business success requires more than training programs and loans. The barriers women-owned businesses face are structural, relational, and individual. Most programs designed to assist women and people of color as business owners focus on the individual, not the gendered structural constraints their businesses confront (Ehlers and Main 1998). Currently, there are far more government programs designed to address structural barriers to economic success faced by women in paid labor than in business ownership. Some government programs (e.g., Small Business Administration, Office of Advocacy) assist women owners in obtaining loans for their businesses (Clark and James 1992). But financial assistance to women business owners will not reduce the gender gap in small business success unless women-owned businesses become more competitive in the corporate financial world (Clark and James 1992, 37). This will require studies and programs that examine how and why women get into small business and how they manage responsibilities as women in the gendered contexts in which they are embedded.

NOTES

1. We thank one of the anonymous reviewers for pointing out this important distinction.
2. Indicators of owners' ambition for success differ from the Bird, Sapp, and Lee (2001) model on which our adaptation is based. The Bird, Sapp, and Lee study demonstrated no relationship between owners' family commitments and ultimate business success. These variables are dropped in the present model. In addition, we add profit motivation, which represents the owner's drive for financial success.
3. Our findings also differ somewhat from an earlier study using a subsample of the same data set (Bird, Sapp, and Lee 2001). Previous results indicated a positive link between women owners and professional development in rural places. The present findings do not. However, the model used previously contains a variable not included here (profit motivation) and excludes two other variables (help from family, felt family responsibility) because they added no explanatory value. These alterations provide a slightly different view of factors that explain the rural gender gap in small business success.

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Sharon R. Bird is an assistant professor of sociology at Iowa State University. Her research and teaching interests are in the areas of gender, race, class, work, and social inequality. Her current research focuses on gender and small business success, masculinities in work organizations,

women and men business owners' definitions of success, and the formation and control of gendered spaces through gendered practices.

Stephen G. Sapp is a professor of sociology at Iowa State University. His research and teaching interests focus on community development and consumer food issues such as food safety, obesity, and nutrition.