

# Chapter 3

## Female Entrepreneurship as Production Factor or Business Function: A Literature Review of (Lack of) Definitions

Gabriele Serafini

**Abstract** The research starts from an analysis of scientific papers identified by means of querying academic databases, in relation to the identification and classification of female entrepreneurship. Since female entrepreneurship is an economic magnitude clearly identified only in a small part of the scientific products analyzed, the paper continues with the purpose of locating a definition of entrepreneurship as *productive factor* or *entrepreneurial function*. The lack of a unique definition seems to constitute a fundamental element of this field of studies, even though the results of the four queries carried out suggest that entrepreneurship, in addition to the female entrepreneurship, is mainly considered a function that *combines* the production factors, rather than a productive factor. Implications for profit accounting rules are discussed at the end of the paper.

**Keywords** Productive factor measure • Entrepreneurial function definition • Female entrepreneurship

### 3.1 Foreword

This research is an evolution of an our previous work (Serafini, 2016) which aimed at identifying a definition of female entrepreneurship as factor of production, through any measurement model of its contribution to value added or business revenue.

The research was carried out by means of a survey of the literature published in 2015, and its main result consisted in registering a lack of a clear definition of

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G. Serafini (✉)  
Department of Economics and Business, Niccolò Cusano University,  
Via Don Carlo Gnocchi, 3, Rome 00166, Italy  
e-mail: [gabriele.serafini@unicusano.it](mailto:gabriele.serafini@unicusano.it)

female entrepreneurship and, therefore, the impossibility in general to measure its contribution to the value added or business revenue.

As an evolution of that work, this research has first extended in temporal terms, without time limits, the analysis of scientific papers identified by means of querying scientific databases, in relation to the identification and classification of female entrepreneurship.

As will be seen in the following paragraphs, dedicated to the classification and the discussion of the results, even if in the economic literature it is possible to trace a prevailing definition of this magnitude as *production function* rather than as a *productive factor*, female entrepreneurship is an economic magnitude clearly identified only in a small part of the scientific products analyzed, since it is considered *independent*<sup>1</sup> from other variables.

On the basis of this lack of clear definition, the research was then expanded with the purpose of locating at a higher level—i.e., at the level of *entrepreneurship* instead of *female entrepreneurship*—a definition of the entrepreneurship as productive factor or entrepreneurial function that combines the productive factors.

This extension of the research was made because, in the history of economic thought, *entrepreneurship* was intended both as a productive factor (Marshall, 1890–1920: Book IV) and as the capacity to innovate by combining the productive factors (Schumpeter, 1911–1934: Entrepreneurial Profit).

In this case the database query was conducted by combining the word *entrepreneurship* with *production factor* and then with *production function* or *business function*. The additional 95 articles obtained suggest that entrepreneurship, in addition to the female entrepreneurship, is mainly considered a function that *combines* the production factors,<sup>2</sup> rather than a productive factor,<sup>3</sup> even if in a large part of the analyzed papers, such occurrence is not explicitly identifiable.<sup>4</sup>

Clearly it is not conceivable that you should force scholars to share a definition of *female entrepreneurship* and even *entrepreneurship*. However, precisely the lack of a unique definition seems to constitute a fundamental element of this field of studies. Detail of the analysis performed and main results are in the next paragraphs.

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<sup>1</sup>We considered the criterion of a *clear definition* when the paper, possibly of a qualitative nature, reported a definition of the *independence* of this magnitude with respect to the others. As it can be seen in Table 3.2, female entrepreneurship is classified as independent in 41 papers of the 142 result of the query.

<sup>2</sup>53.68% of the 95 papers obtained as output of the two queries; 96% of the classifiable papers. 44.21% of the papers couldn't be classified in relation to the definition of "entrepreneurship" as a production or business function.

<sup>3</sup>16.88% of the 77 scientific articles obtained as output of the two-key query "entrepreneurship" and "production factor"; 38.24% of the classifiable papers.

<sup>4</sup>55.84% of the papers couldn't be classified in relation to the definition of "entrepreneurship" as production factor.

**Table 3.1** Quantitative or qualitative

	Number of papers	%
Quantitative	73	51.41%
Qualitative	40	28.17%
Not classifiable	29	20.42%
Total	142	100.00%

**Table 3.2** Female entrepreneurship as independent

	Number of papers	%
Female entrepreneurship (FE) as independent	41	28.87%
FE as independent and quantitative	29	20.42%
Total	142	

### 3.2 Female Entrepreneurship as (Independent) Factor or Function

As temporal broadening of the research previously recalled, we performed a *query* on databases “Business Source Complete” and “EconLit” of “Sapienza University of Rome,” by means of the following keyword: *female entrepreneurship*. The research was carried out without any year limit and other keywords, in order to find a definition of female entrepreneurship and its independence.

Carried out in July 2016 with the limiter “peer-reviewed journals,” the query has produced 142 articles<sup>5</sup>; we have proceeded to classify the following three research questions: *Is paper qualitative or quantitative? Is female entrepreneurship independent? Is female entrepreneurship a factor or a function?*

The results tell us that only half of the papers are quantitative and that about a fifth of the paper is not classifiable in this sense (Table 3.1).

41 papers indicate the female entrepreneurship as independent, and only 29 papers indicate that female entrepreneurship is a quantitative variable and independent of the other (see Table 3.2).

In relation to the consideration of female entrepreneurship as a factor of production or a business function, only five papers clearly indicate that it is a production factor, and 58 that it is a business function, since 79, more than half, are not classifiable (see Table 3.3).<sup>6</sup>

As a result, we can state that only a small number of papers establish a clear definition of female entrepreneurship. We then considered an additional research in order to try to understand (at an upper logical level) if is there a clear definition of *entrepreneurship* as a factor or a function.

<sup>5</sup>Adding as a second keyword “factors,” the number of results drops to 32. Adding as a second keyword “production factors,” the number of results drops to 1.

<sup>6</sup>Only 27 of the quantitative papers that indicate female entrepreneurship as independent (93.10% = 27/29) indicate that it is a business function.

**Table 3.3** FE as factor or function

	Number of papers	%
Factor	5	3.52%
Function	58	40.85%
Not classifiable	79	55.63%
Total	142	100.00%

**Table 3.4** Entrepreneurship. quantitative or qualitative

	Number of papers	%
Quantitative	26	33.77%
Qualitative	2	2.60%
Not classifiable	49	63.64%
Total	77	100.00%

**Table 3.5** Entrepreneurship as factor and independent

	Number of papers	%
Entrepreneurship as factor	13	16.88%
Entrepreneurship as independent	37	48.05%
Entrepreneurship as factor and independent	8	10.39%
Total	77	

### 3.3 Is Entrepreneurship a Production Factor?

Given that the previous query has not provided unique results, an integration of research was carried out with the aim of identifying, at a higher level, i.e., at the level of *entrepreneurship* instead of *female entrepreneurship*, a definition of the entrepreneurship as a productive factor. The *query* on database “Business Source Complete” and “EconLit” of “Sapienza Università di Roma” without year limit and the limiter “peer-reviewed journals” was performed in July 2016 by means of these keywords: *entrepreneurship* and *production factor*.

It has provided 77 articles, which we have classified according to three conditions: *Is paper qualitative or quantitative? Is entrepreneurship considered a production factor? Is entrepreneurship independent?*

The 63.64% of article results of the question were not considerable as qualitative or quantitative, and only the 33.77% were classified as quantitative (see Table 3.4).

Only the 16.88% indicate that entrepreneurship is a productive factor, even if a little less than half of the articles (48.05%) consider it an economic magnitude independent of the others present in each article (see Table 3.5).

As a relevant result, we note that only eight articles of a quantitative nature indicate clearly that entrepreneurship is a productive factor and independent.

### 3.4 Entrepreneurship as a Production or Business Function

In order to establish if *entrepreneurship* is considered a production or business function, we have made two other queries.

The *query* of the databases “Business Source Complete” and “EconLit” of “Sapienza Università di Roma,” without year limit, was made by means of two keywords—*entrepreneurship* and *production function*—and this limit: “peer-reviewed journals.”

Carried out in July 2016, it has provided 49 articles, which we have classified according to three conditions: *Is paper qualitative or quantitative? Is entrepreneurship considered a production function? Is entrepreneurship independent?*

The research results show us that the 85.71% of articles are of a quantitative nature (see Table 3.6) and that the 89.80% clearly indicate that the entrepreneurship is a production function. Furthermore, 90% of articles indicate the presence of productive factors to be coordinated (see Table 3.7).

This result clearly indicates that the overwhelming majority of article results from the query argues that entrepreneurship is a productive function.

In the same context, we then performed a further query on the same database—by substituting the word *production* with the word *business* by means of two keywords, *entrepreneurship* and *business function*—and with the same limit: “peer-reviewed journals.”

The research has provided 46 articles; we have proceeded to classify in the usual way: *Is paper qualitative or quantitative? Is entrepreneurship considered a business function? Is entrepreneurship independent?*

Only 13.04% of the papers are quantitative, and the 41.30% are not classifiable (see Table 3.8).

The 80.43% can’t be classifiable in regard to the definition of entrepreneurship as a business function, and only 15.22% of 46 articles clearly indicate that entrepreneurship is a business function (see Table 3.9).<sup>7</sup>

**Table 3.6** Production function as quantitative

	Number of papers	%
Quantitative	42	85.71%
Qualitative	1	2.04%
Not classifiable	6	12.24%
Total	49	100.00%

**Table 3.7** Entrepreneurship as production function

	Number of papers	%
Entrepreneurship as production function	44	89.80%
Entrepreneurship and combined factors	45	91.84%
Total	49	

<sup>7</sup>Only one paper clearly indicates the presence of productive factors to be coordinated.

**Table 3.8** Business function as quantitative

	Number of papers	%
Quantitative	6	13.04%
Qualitative	21	45.65%
Not classifiable	19	41.30%
Total	46	100.00%

**Table 3.9** Entrepreneurship as business function

	Number of papers	%
Entrepreneurship as business function	7	15.22%
Entrepreneurship not as business function	2	5.41%
Not classifiable	37	80.43%
Total	46	100.00%

**Table 3.10** Production or business function

	Number of papers	%
Entrepreneurship as production or business function	51	53.68%
Not as production or business function	2	4.76%
Not classifiable	42	44.21%
Total	95	100.00%

This last query therefore emphasizes that the word *business* significantly reduces the possibility of inserting the entrepreneurship within the category of the function of production.

### 3.5 Main Results of the Queries

By combining the four queries, we note that only 41 of the 142 papers define the female entrepreneurship (28.87%), and about half does not show a clear classification of female entrepreneurship (48.59%). When we try to understand if entrepreneurship is a productive *factor*, only 16.88% of the papers selected by means of the second query (paragraph 3) may be classified among the papers in which there is an affirmative response, while the 55.84% are clearly not classifiable (Table 3.3). When instead we are trying to understand if entrepreneurship is a productive *function*, according to a first query performed with the keyword *entrepreneurship* coupled to *production function*, almost 90% of papers (Table 3.7) are classified that allow to qualify entrepreneurship as a function. When the research is conducted with the same purpose but using *business function* as keyword together with *entrepreneurship*, the result is not equally clear, because it was not possible to classify over 80% of papers (Table 3.9).

By aggregating the results of the last two queries, instead, it emerges that 42 papers are not classifiable (Table 3.10) but that 51 of 53 papers are classifiable,

namely, over 96.23% of the papers classified according to the definition of entrepreneurship show a definition of entrepreneurship as production or business *function*.

We can therefore conclude that *the difficulty of definition and classification of female entrepreneurship is greater than the difficulty of definition and classification of entrepreneurship*. This could be connected to the greater dating of the term entrepreneurship or to the greater generality of the term.

In relation to entrepreneurship, even if in economic literature there are authoritative examples of definition in one direction or the other (see footnotes 3 and 4), the literature that comes from scientific journals indicates that it is more considered an entrepreneurial function, rather than a productive factor. Therefore, you can search for contribution to *revenues* but not its remuneration as a part of the *added value*. This is because it is the variable that combines productive factors and therefore its remuneration coincides with profit, intended as a residual, and not with the remuneration of a factor. We emphasize that this is not ensured for female entrepreneurship, given that only the 28.87% of papers indicate a clear definition (whatever it is) of female entrepreneurship.

Finally, we note that the 92.06% of papers in which female entrepreneurship is classified (only 37% of the 142 papers) consider *female entrepreneurship* as a *function*, not a factor—in accordance with the data on *entrepreneurship*—and that the foregoing requires at least two reflections.

1. We can suppose that the complexity of the concept *entrepreneurship* constitutes one of the fundamental elements for the difficulty of classification, but scholars could operate to classify the basic assumptions in their scientific articles so as to clarify if entrepreneurship—and female entrepreneurship in particular—is considered a production function which combines production factors or a productive factor like the others. In this way, any research involving this economic dimension would clarify which definition it assumes and therefore the logical relationships you can deduce.
2. If female entrepreneurship is mainly considered as a function, i.e., a variable that coordinates the productive factors, its remuneration coincides with the profit only if you intend the profit as separated from the added value, i.e., the remuneration of any productive factor, capital in particular. This should lead to a change in the methods of accounting profit.

In regard to this second point, in the theory of Leòn Walras (p. 319) and Vilfredo Pareto (1919: 305), entrepreneurship is a function separated from productive factors, and, in that context, capital should be considered as *paid* (Serafini, 2015: 95).

If instead we think the rules of *corporate accounting*, profit includes the remuneration of capital ownership, generated as a *residue* with respect to the remuneration of the factors of production. This implies that it is *not* clearly distinguishable the part of profit that remunerates the *capital* from the part that remunerates the *entrepreneurial function*, unless it is clearly identified the remuneration of entrepreneurial function between the costs of personnel dedicated to this function.

If entrepreneur is a *fourth character* (Walras: 319)—in addition to consumers, workers, owners of capital, and landowners—who combines productive factors,

while capital must be considered to be provided, *profit* is precisely the remuneration of the entrepreneurial function, *not a part of the added value*.

If, on the contrary, it would be intended that entrepreneurial function is carried out by workers, what is now classified as *profit* should be considered an *extra profit*, a *residual value* after the payment of productive factors.

In the latter case, the remuneration of capital would be established as a residual value, determined after the remuneration of workers who played the entrepreneurial function; but if profit is the *remuneration* of the capacity to combine the factors of production, the *residual value* shouldn't be qualified as profit; it should be classified as *extra profit*. In this case, profit should not appear as a residual value, within equity value, but it should be accounted between the costs of the company. As Pareto says, it should be accounted as *remuneration of capital* (Pareto, 1896-7–2006: 169), while the residual value would be separately attributed to the *entrepreneur* only if it is an extra profit.

This is to say that if entrepreneurship is the capacity of combining productive factors, its amount is not part of the added value and it shouldn't be accounted as an increase of equity value. Moreover, if entrepreneurs are part of the workers, their remuneration is part of business costs, such as remuneration of capital. In this case, what is usually accounted as profit shouldn't be accounted together with the increase of the equity value because it's a *residual value*, results of market imperfections that should be distinguished from revenue generated by capital invested.

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