

Knowledge@HEC

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LEADING DIVERSITY, LEADING INNOVATION

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Editorial Letter



“May you live in interesting times,” the old Chinese saying goes, and it would be safe to say that times are, indeed, interesting. Unpredictable and unexpected events are altering industries and organizational landscapes, and the need to pivot to sustain productivity and performance while being environmentally responsible has never been so important.

The past year brought the need for agility into stark focus as we navigated altered business scenarios to meet COVID-19 prevention protocols and restrictions, and where global supply chains were interrupted by a cargo ship running aground in the Suez Canal, and delayed by a world shortage of microchips. We witnessed new demands for fresh approaches to work and employee wellness, and a surge in cybercrime as hackers took advantage of the widespread shift to remote working and its inherent technologic dependencies. We discovered and deployed technologies we had but were not really using, and learned how to do it very rapidly.

There are many who predict that working models born from COVID-19 may be around for some time. We contend that they may well be here for good, and that the cloud and advanced technology will dominate all sectors of society for many years to come. Transformation is not just for today, but for tomorrow and beyond. The pandemic confirmed what we knew, but did not want to discuss: everything that can be made digital will be made digital in the next few years.

Public and private sector leaders in Qatar and elsewhere are now reassessing business and planning priorities as they look to address these internal and external shifts and the ever-pressing need to address the root causes of climate change, and growing economic inequalities in much of the world. At HEC Paris in Qatar, we are fully prepared to assist their endeavors to create future-ready organizations with executives who can successfully address emerging societal and economic challenges and foster sustainable environments. As a member of the Qatar Foundation family, we are committed to supporting Qatar and the region in its desires to nurture future leaders, entrepreneurs, start-ups and a culture of innovation that is needed in an emerging smart economy.

In this edition of our Knowledge@HEC Journal, we delve into some of the most pressing topics impacting today's transformational management styles, including workplace diversity, HR's approach to inclusivity, institutions' role in entrepreneurial ecosystems and the emerging trend of social entrepreneurship.

Gender diversity comes under the spotlight in this issue. Through the insights from Professor Oliver Gottschalg, HEC Paris Professor of Strategy and Business Policy, we zoom-in on why private equity firms should employ more women and how they could benefit. We also explore the need for prioritizing gender diversity in any building-back-better agenda through insights from HEC Paris in Qatar Associate Professor Shaheena Janjuha-Jivra, an expert in leadership, innovation and diversity.

In addition, we investigate social entrepreneurship and help define it through the research of HEC Paris professors Thomas Åstebro and Florian Hoos. Their combined insights reveal how growth in this activity is impacting new business models. We also question whether, and how, people can be trained to become social entrepreneurs. Finally, we examine how to manage innovators for the public good and to foster social inclusion. These highly topical subjects are gaining ground as organizations reassess their next normal priorities.

These studies, and the deep insights they deliver, demonstrate the strong commitment of HEC Paris to inspire thought leadership in Qatar and the region through the creation and dissemination of knowledge. You will find us at the center of change as we prepare the leaders who will ensure the region is fully prepared for the new normal and the future it entails, which we hope sustainable, environmentally conscious and respectful of the planet and all its inhabitants. We wish you good reading and good learning.

Dr. Pablo Martin de Holan

Dean, HEC Paris in Qatar



Why Gender Diversity Needs to Be at the Heart of the Innovation Agenda

Innovation thrives in teams where diverse thinking is not only encouraged but proactively encouraged. Gender diverse teams are shown to have improved performance. Despite the evidence demonstrating the impact of diversity, we still witness mixed reactions to gender diverse teams with the situation exacerbated following the pandemic. As organizations are rebuilding after the initial waves of the pandemic, we focus on why gender diversity needs to be at the heart of this transformation.



Research shows gender diverse teams demonstrate 25% above average profitability (McKinsey, 2020) and a 38% increase in innovation revenue (BCG, 2018). These indicators create a clear business rationale for gender diversity to achieve improved business performance. The consequences of the pandemic - working from home, schooling from home, supporting the needs of older, more vulnerable, family members - all these combine to create greater domestic responsibilities that are

inevitably picked up by women. Within the workplace this situation leads to greater pressure of women. In France for example, research by BCG shows that 20% of women with children aged 12 years old and under are more likely to leave their jobs to focus on the family. Now that organizations are rebuilding, we investigate why and how gender diversity is at the heart of innovation.

INNOVATION NEEDS OUT-OF-THE-BOX THINKING

'Innovation' is the prevalent term organizations adopt when discussing strategy and performance. Our world today has more complex problems that are not easily solved by applying thinking that has worked before. As we adjust to the volatility of the global pandemic, business leaders are finding different ways to anticipate and plan for successive waves of disruption. Innovating is about identifying an opportunity that others have missed or not considered in their deliberations. Out-of-the-box thinking that creates innovation

doesn't happen by chance. In fact, contrary to the perception of stumbling across brilliant ideas, successfully creating new ideas is the result of diverse teams, nurtured cultures, and conscious leadership.

Her Excellency (HE) Reem Al Mansoori, Undersecretary at the Ministry of Transport and Communications in Qatar, and HEC EMBA alumna, highlights the importance of innovation; "Knowledge is the fuel for innovation, and since women represent almost 50% of our society, we need educated, capable, and motivated women in the workforce to turn our society's challenges to opportunities by becoming our future entrepreneurs, innovators and artists."

HOW INCLUSIVE LEADERSHIP TRIGGERS INNOVATION

Innovation thrives in teams where diverse experiences and thinking combine for solutions. Building a diverse team is important, however the role of the leader is paramount. Leaders who create inclusive cultures allow colleagues to feel safe in expressing different ideas. Inclusive cultures are built on the idea of safety and trust, allowing individuals to share new thinking, and challenging group think - as the most senior person the rest of the team will defer to the leader.

Creating opportunities for team members to ask questions and find solutions themselves helps to address group think.

Biases: we all have them, and they are part of our ability to function effectively, but if they go unchecked, they can lead group think (where team members follow the leader's thinking) and in turn stifle innovative thinking. In his book "The Art of Thinking Clearly", Rolf Dobelli describes ninety-nine biases and provides concise insights into how each one impacts our decision making. We can't become a walking encyclopedia of biases but if we understand which ones predominantly affect our thinking, we can mitigate for our biases in our decision making.

IN QATAR, A STRONG POPULATION OF FEMALE GRADUATES PROVIDES THE FOUNDATION FOR DIVERSE AND INNOVATIVE TEAMS

There is of course a bigger piece to this puzzle, creating a robust pipeline of qualified women who can advance into leadership roles. Qatar has a strong base, with 58.6% female labor participation (World Bank, 2021) and the highest figures in the Arab World, the foundations for transformation are strong. The book I co-authored on "Championing Women leaders" (with Kitty Chisholm in 2015) identifies two important resources for women to succeed into leadership positions; the support of a champion - a senior leader advocating for the individual - and the opportunity to move into new roles that provide different opportunities.

The impact of role models, and in particular women in senior leadership positions, is essential to help adjust how we see successful teams. Women achieving leadership roles is not straightforward, but the biggest shift comes through two areas; changing mindsets and specific resources to support women.

HE Sheikha Alanoud, Deputy CEO and Chief Business Officer of Qatar Financial Centre Authority (QFC), and currently a participant on the EMBA program at HEC Paris in Qatar, explains the impact of advancing women into leadership roles, "I was given the chance, as the first female and the youngest person in this executive role by my CEO. I've translated that

opportunity into the highest growth trajectory consistently. This is a good thing for the organization, my performance is also about bringing in different perspectives." QFC has a commitment to gender diversity through policies leading to 13.5% of senior level positions in QFC companies held by women, compared to 8.2% of Qatar's financial sector (KPMG, Qatar 2021).

She continues, "It's not just about strong female leaders that inspire others, but it's also a testament to the changes in society. Reforms guided by Her Highness Sheikha Moza bint Nasser in terms of human and community development through education, equal opportunities, family welfare and regulation have seen women establish themselves as a formidable part of the workforce in Qatar. Working in leadership positions means deserving respect from male colleagues for our contribution to the economy. We see more women in leadership positions today and this is not due to a quota system. Women are being given the chance because they are performing well, and the country benefits from this talent." Expansion in the female workforce outperformed overall growth in QFC employment between 2018 and 2019, with nearly 11% increase.

Diverse teams and inclusive leadership create the framework for innovation, and agile thinking is an essential part of this equation. Creative and agile thinking is learned through education, and with a strong population of female students, Qatar is well placed to nurture an entrepreneurial thinking among its students and to create the foundation for effective innovation among diverse teams.

Hend Zainal, Executive Director of Strategy, Management and Partnerships in the Higher Education Division at Qatar Foundation and HEC EMBA alumna, is an advocate of agile thinking in leadership. Through her work she is bringing

to life the notion of 'multiversity' education, providing students with the opportunity to cross-fertilize their thinking by combining courses from different universities and providing exposure to different approaches to thinking: "We need a new way to consider leadership, a renaissance approach, where current and future leaders combine different disciplines to find innovative solutions. Higher education leadership has been a male-dominant sector throughout history, despite the fact that the oldest continually operating university in the world, The University of Al-Qarawiyyin, was founded by a woman, Fatima AlFihri. Women in higher education and other business sectors have the ability to bring empathetic and multidisciplinary perspectives and a different understanding into the needs of all users, whether they are students or customers and create systematic and innovative change that effectively addresses their needs."

Successful innovation needs to spread across society, and this requires organizations with diverse teams to lead by achieving the ambitions set in the 2030 Vision. HE Reem Al Mansoori underscores why women need to be at the heart of this transformation, "Women are powerful advocates for the voice of our society and have deep understanding of the challenges. Having a diverse work-force, therefore, will enable Qatari organizations to be creative and deliver innovative solutions that make everyone's life better." Gender diversity in leadership is at the heart of progress and provides the momentum for our economy and society to innovate and prosper creatively - providing a win-win for everyone.



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Why Private Equity Firms Should Include More Women

At the senior level, men outnumber women by a 10 to 1 ratio in the private equity sector. Considerations about gender equality notwithstanding, such a testosterone-only environment is not good for... the bottom line. A large-scale study of investment deals by HEC Paris professor of strategy and business policy proves that teams with at least one female member dramatically outperform male-only teams. An interview with Oliver Gottschalg.



“GENDER DIVERSITY IN PRIVATE EQUITY IS NOT ONLY ABOUT MORALITY; IT IS ALSO A CONTRIBUTOR TO SUCCESSFUL TRANSACTIONS.”

Oliver Gottschalg

Associate Professor of Strategy and Business Policy at HEC Paris

PRIVATE EQUITY: IS IT A MAN'S MAN'S MAN'S WORLD?

At board level, private equity appears to be trailing by a ratio of 2:1 in gender diversity compared with the broader financial services industry. Women occupy only 9.4% of senior jobs in private equity. And this glass ceiling has thickened in the past two decades. Audited performance data on deals completed between 1986 and 2015 shows a drop in the number of women leading deals in the final decade (from 5% before 1995 to 1% between 2006 and 2015).

PASSING THE MICROPHONE TO THE DEVIL'S ADVOCATE: DOES IT MATTER?

Gender diversity in private equity is not only about morality; it is also a contributor to successful transactions. Our large-scale research reveals that gender diversity produces higher returns and a lower risk of failure than all-male teams.

When the private equity executive Lise Fauconnier led Ardian's investment in logistics specialist Staci last October, acquiring a majority stake, it was not just another feather in the cap for an experienced investor with an impressive record.

The managing director's success was also another example of the efficacy of gender diversity in executive teams in buyout and growth operations. We expect that, diversity in all forms — ethnicity, nationality, gender, professional backgrounds and experience — enhances efficiency in private equity buyouts.

EXACTLY HOW MUCH MORE EFFICIENT ARE GENDER-DIVERSE TEAMS?

Fauconnier's ability, and that of other female investment managers, came as no surprise to me and my colleagues at HEC Paris. With unprecedented access to data, we showed that buyout teams with at least one woman outperformed all-male teams across three widely recognized private equity deal performance indicators (PERACS Alpha, total value to paid in, and internal rate of return or IRR). Committees with at least one female member outperform all-male committees by an average 12% of IRR and a remarkable 52 cents per dollar invested. Gender diversity also brought down the average capital loss ratio of a fund by 8% to 12%.

Women led buyouts are found more often in biotech and IT but less in industrials, business services and technology, media and telecoms. Deals

made by women also tended to have longer holding periods, which can be a sign of more fundamental transformation at the company, or an indication of deals not being sold prematurely, but held until full value creation potential has been realized.

HOW WERE YOU ABLE TO DEMONSTRATE SUCH A STRIKING EFFECT?

As a strategy professor at HEC Paris, since 2010 I have run the Private Equity Observatory, a research program financed by several private equity companies and advisory firms. This allowed me to gather a vast amount of data shared in confidence by investors in private equity. In partnership with MVISION, I have investigated over the past 12 months the relationship between gender diversity and performance in the mature private equity markets of Europe and North

America. My data set was 2,454 realized deals executed by 51 fund managers across 220 funds over 20 years. Based on these deals, the study made informed assumptions about the gender composition of investment committees using the data available to us. Other research has suggested these effects, but our study is the first to prove empirically that performance of gender-balanced investment teams correlates with higher returns in private equity.

SO WHY ARE PRIVATE EQUITY COMPANIES UNABLE OR UNWILLING TO IMPLEMENT GREATER GENDER BALANCE?

The question arose when I presented my findings at a panel discussion at the National Arts Club in New York in June, an event featuring several

senior female private equity executives. During the debate, private equity investor Sheryl Schwartz — one of Mergers & Acquisitions magazine's "most influential women in mid-market M&A" — asked rhetorically: "With better performance and lower loss rates, why wouldn't private equity firms put women on deal teams?" Our conclusions indeed make her question appear a no-brainer.

The answers hypothetically could be at several levels: there is an underrepresentation of women graduates from business schools; of these graduates, a small proportion go into the financial industry. Furthermore, private equity is a sector with long working hours and a heightened culture of competition that are not easily compatible with family life. Finally, women may still be forced to be twice as tough and streetwise as men to make it to partner or directorship levels — another compromise to a healthy work/life balance which male counterparts appear more willing to accept.

WHAT COULD BE DONE TO INCLUDE MORE WOMEN IN PRIVATE EQUITY TEAMS?

There are solutions: mechanisms to make jobs more compatible with what women seek, allowing a flow of qualified women into private equity. We also believe men need to come on board in driving gender diversity: they should know it is likely that male leaders provided many of the career opportunities given to the women observed in our research. The evidence suggests men must become involved in the debate, not as a token gesture but as a matter of financial logic.

Private equity firms should find ways to implement diversity systematically at all levels of their investment structures. In this way, role models such as Fauconnier and Schwartz may multiply in the same proportions as the number of women found in firms' key decision-making bodies. We are trying to do our share at HEC to attract women to private equity and some signs are encouraging: The elective on Management Buyouts I am currently teaching in the CEMS program has 52% female participants, some of which already completed internships in the private equity industry!

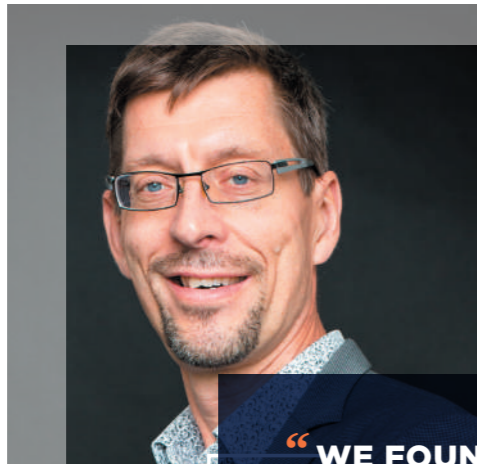


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Yes, Social Entrepreneurship Training Works

Social entrepreneurship is characterized by a deep commitment to a social cause and the desire to develop new business models with economic, social, and ecological impacts. But can people be trained to become better at social entrepreneurship? HEC Paris Professors Thomas Åstebro and Florian Hoos found that social entrepreneurship training works, but only if carefully designed.



“ WE FOUND A LARGE IMPACT OF SOCIAL ENTREPRENEURSHIP TRAINING ON VARIOUS ENTREPRENEURIAL ACTIVITIES, BOTH DURING THE PROGRAM AND THREE YEARS LATER.”

Thomas Åstebro

L'Oréal Professor of Entrepreneurship at HEC Paris

Florian Hoos

Affiliate Professor of Accounting and Management Control at HEC Paris



Governments, institutions, and businesses increasingly invest in innovative entrepreneurship training programs that tackle societal problems. We don't have numbers for social entrepreneurship, but David McKenzie, lead economist at the World Bank, estimates that at least \$1 billion is spent annually on entrepreneurship programs, training at least 4 to 5 million potential and existing entrepreneurs in developing countries. The US Small Business Administration alone spent \$127 million training (different kinds of) entrepreneurs in 2012. And leading universities and business schools around the world offer graduate programs in social entrepreneurship, while companies like bKash from Bangladesh and Ecosia from Germany are recognized for their ability to make profits while creating measurable social and ecological impact.

Social entrepreneurship training typically includes training not only in technical business skills but also in “soft” skills like social leadership and social entrepreneurial identity development. The million-dollar (literally) question is: Does social entrepreneurship training work? Does the training produce more and better social ventures, do the trainees contribute more to social causes, and are they better at saving the planet than without training? As of now, we do not know.

We approach this question by measuring the causal impact of a social entrepreneurship training program run in France. We partnered with TicketforChange.org, an organization dedicated to changing the world by training youth to become social entrepreneurs. The program was launched in 2014 and has since won several awards (including the 2015 Google Impact Challenge), been promoted widely, and been mentioned by French politicians as a flagship program for boosting social entrepreneurship in France.

Inspired by the Indian program Jagriti Yatra, the organization offers an intensive social entrepreneurship program with a strong leadership skills training dimension, and a social entrepreneurial activity component. The central portion of the program is a 12-day bus trip with stops throughout France. The

bus trip is followed by a six-month coaching program.

The pedagogy is based on three pillars: inspiration, introspection, and taking action. The inspiration phase informs participants about social entrepreneurship and the problems it faces and lets them meet famous social entrepreneurs and gain a sense of pressing social problems in French society. In the introspection phase, participants work on their profiles, learn about their personal strengths, and identify a social issue that is important to them. Participants then develop a social entrepreneurial project.

To examine the impact of the training program we use a randomized controlled field experiment in which we assign one group of applicants randomly to training. We identify a

comparable group which does not get trained. We then compare the two groups three years later on a range of outcomes including social venture creation, sustainable behavior, and social leadership skills. We executed the experiment twice, in the first and second years of program operation. (The program is still ongoing.)

In the first round of the experiment, we detected no statistically significant differences between the treatment and control groups. We then worked with the organizers to make substantial changes – in particular, they substituted more analytical skills training for social leadership skills training and social entrepreneurial identity development, while also increasing the amount of individualized coaching. They also changed the analytical skills training



to emphasize the lean startup model and the business model canvas. We then found a large impact on various entrepreneurial activities, both during the program and three years later. Still, we observed no treatment effects on social entrepreneurial intentions, activity, or sustainable behavior across the two rounds of the program.

Maybe it is not possible to change people's attitudes and behavior with respect to social causes, but it seems one can train them in obtaining entrepreneurial skills and that this training matters. Our work also demonstrates the potential value for entrepreneurship research of conducting randomized controlled trials.

These are becoming increasingly popular across a range of academic fields and policy arenas, as illustrated by the work by last year's Nobel prize winners Abhijit Banerjee, Esther Duflo, and Michael Kremer.

Reference: Article by Thomas Åstebro and Florian Hoos on their academic paper, «Impact measurement based on repeated randomized control trials: The case of a training program to encourage social entrepreneurship», published in Strategic Entrepreneurship Journal in 2021.

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How to Manage Innovators for the Public Good

Today's major societal challenges – such as climate change, migration and inequality - urgently call for new ideas and approaches that can create both economic growth and social value. Recent years have seen a surge of support programs targeted at social entrepreneurs, the new actors on the innovation scene. Professor Marieke Huysentruyt, one of the scholars at the forefront of research on innovations for the public good, says it is crucial for organizations to understand how they can motivate teams or nascent entrepreneurs to innovate, and hence help our societies recover and rebuild. She explains how in this interview.



“TODAY'S MAJOR SOCIETAL CHALLENGES URGENTLY CALL FOR NEW IDEAS AND APPROACHES THAT CAN CREATE BOTH ECONOMIC GROWTH AND SOCIAL VALUE ”

Marieke Huysentruyt

Associate Professor of Strategy and Business Policy
Academic Director of the Social and Inclusive Business Center at the Society & Organizations Institute (S&O) at HEC Paris

HOW DID YOU EVALUATE WHAT REALLY MOTIVATES NASCENT SOCIAL ENTREPRENEURS?

To identify what really motivates nascent social entrepreneurs and whether motivation matters to nascent social entrepreneurs' performance, we designed a large-scale field experiment, which we carried out with one of the United Kingdom's largest support agencies for social entrepreneurs. It consisted of making salient different types of rewards and then evaluating who decides to compete for the grant. We explain this in a first research article, «How Do Nascent Social Entrepreneurs Respond to Rewards? A Field Experiment on Motivations in a Grant Competition».

HOW DID YOU TEST THE CANDIDATES' MOTIVATIONS?

I suppose we could have just asked them, using a set of survey questions. But we know that the answers would not have been representative, nor very reliable, because people tend to assert what they believe others would like to hear.

To attract high-quality candidates, these support programs not only appeal to candidates' intrinsic motivation to make a real, positive difference in society, but also offer participants extrinsic rewards, mostly cash and in-kind support. They thus seek to tap extrinsic (financial or in-kind) and intrinsic (prosocial) motives for candidates to apply and pursue a social entrepreneurial career, as if these motives are complementary. Yet, it is unclear how these mixed incentives affect who applies and whether selection of the candidates has a real impact on the subsequent success of the nascent social enterprises.

This provided us with an ideal context to vary the salience of different incentives, without changing the rewards that successful candidates would actually receive.

The experiment encouraged over 400 nascent social entrepreneurs to submit a full application for a 12-month grant program that provides cash and in-kind mentoring.

The individuals were randomly assigned to three groups: one group received a mailing that emphasized the intrinsic rewards of the program, that is, the opportunity to do good (we call it a “Social treatment”), while the two other groups received a mailing that emphasized the extrinsic rewards - either the financial rewards (“Cash treatment”) or the in-kind rewards (“Support treatment”).

SO WHAT MOTIVATED THE SOCIAL ENTREPRENEURS?

Results show that the extrinsic rewards cues led fewer candidates to apply and “crowded out” the more prosocial candidates while “crowding in” the more money-oriented ones.

Sure enough, the extrinsic reward cues increased application effort, which led these candidates to be more successful in receiving the grant. Yet, the successful applicants following both the extrinsic monetary and in-kind reward cues performed effectively worse at the end of the one-year grant period.

Our results highlight the critical role of intrinsic motives to the selection and performance of social enterprises and suggest that using extrinsic incentives to promote the development of successful social enterprises may backfire in the longer run.

AND WHAT MOTIVATES US TO VOLUNTARILY SEARCH FOR SOLUTIONS WHEN OUR EFFORT IS COSTLY?

What motivates us when any expended effort is privately costly but cannot be directly contracted upon, when the value of the discovery or public benefit is known (and

shared), or when a finite number of possible solutions exists, and when exploration is open (i.e. the information is shared)?

In complementary research, entitled “Exploration in Teams and the Encouragement Effect: Theory and Experimental Evidence,” we ask what motivates individuals to voluntarily search for solutions. We found experimental laboratory evidence delivering sharpened insight into the strategic considerations that determine exploration in partnership.

We found that when there is uncertainty about whether the “public good” solution will be discovered, people contribute more, not less. So, uncertainty helps to motivate exploration and contributions to the public good.

The reason is that in strategic settings, like sequential exploration of solutions for the public good by two players, sometimes player 1 is motivated to explore just because this encourages player 2 to subsequently also explore, if no solution has been found. This is the famous encouragement effect. In other words, we need people to innovate, search for alternative solutions.

We show that this effect gets stronger when people have prosocial preferences and imperfectly optimize.

So it is important to set up information sharing as a non-monetary channel that motivates exploration, and social preferences play a critical role for team exploration outcomes.

HOW DID YOU DESIGN YOUR FIELD EXPERIMENT TO ADDRESS THIS SECOND QUESTION?

Incentive design in such settings must deal with not only dynamic free-riding but also the inherent process of learning or information sharing and externalities.

We designed a novel experimental paradigm, made use of video-instructions to ease participants' understanding of the game, and compared the participant's decisions in an ‘exploration in partnership’ game with those in a pay-off-equivalent game where people must decide whether to voluntarily contribute to a public good but where there is no uncertainty about the outcome of the contributions.

More researchers need to jump on board: to study important questions about social entrepreneurship, innovation and the public good using well-designed experimental approaches. Our findings are relevant for motivating and managing groups and teams innovating not only for private but also and especially, for public goods.



References: Interview based on two academic articles forthcoming in *Management Science*: «How Do Nascent Social Entrepreneurs Respond to Rewards? A Field Experiment on Motivations in a Grant Competition», (Marieke Huysentruyt (HEC Paris and Stockholm School of Economics), Ina Ganguli (University of Massachusetts Amherst and Stockholm School of Economics), and “Exploration in Teams and the Encouragement Effect: Theory and Experimental Evidence” (Marieke Huysentruyt, Emma von Essen (Aarhus University and Stockholm University), and Topi Miettinen (Hanken School of Economics). This research received a grant from the HEC Foundation.

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Gender Difference on Crowdfunding Platforms: What Pitches Work?

On prosocial crowdfunding platforms such as Kiva, which benefit low-income entrepreneurs, women-led campaigns tend to be significantly more successful than men's. To find out which specific gender dynamics explained this difference, HEC Paris researcher Santosh B. Srinivas sought to sort out gender differences in the justifications for funding requests entrepreneurs made on the site.



“WOMEN ENTREPRENEURS ARE MORE LIKELY TO BE SUCCESSFUL IN ATTRACTING INVESTMENT WHEN THEY EMPHASIZE THEIR DESIRE TO CREATE CHANGE AND JUSTIFY THE POTENTIAL OF THEIR VENTURE.”

Santosh B. Srinivas

Assistant Professor of Management and Human Resources at HEC Paris

Ellen in Mount Barclay, Liberia, is looking for \$325 to buy fish and other food products to sell in her market. Amphai, who lives in an area in Thailand with few banks, is seeking \$1,875 for her silk weaving business. Abed Al Azez, a refugee living in the West Bank, is asking for a \$3,000 loan to build a car park.

The profiles of Ellen, Amphai and Abed Al Azez appear on the microfinancing site Kiva, along with their requests for loans. Donors (or “lenders,” as the site puts it) can loan amounts as little as \$25, and when it is paid back, as it is in 96% of cases, according to the site, donors can lend their money to a different entrepreneur or withdraw it.

Though there is a demonstrated gender gap in access to finance, a 2017 PricewaterhouseCoopers study reached the surprising conclusion that in 2015-16, women-led crowdfunding campaigns were 32% more successful in obtaining financial backing than those led by men. I sought to find out what differences there might be in how men and women present their loan requests on prosocial crowdfunding sites, the effect of different pitches and — from the opposite end — how male and female donors may react to entrepreneurs' requests on the site.

THE IMPORTANCE OF HOW PEOPLE JUSTIFY THEIR ACTIONS

Much of the work in my dissertation is based on French sociologists Luc Boltanski and Laurent Thévenot's research on the way individuals justify their actions to others. They find that people's justifications fall into six categories.

1. **Inspired** justifications might center on an entrepreneur's passion for a project.
2. **Domestic** justifications put an emphasis on family, perhaps how a craft or business has been handed down over generations, how the venture is part of a family heritage and that it will help the family.
3. **Civic** justifications will emphasize the positive effect a project will have on a community.
4. Justifications based on **fame** might focus on the entrepreneur's public recognition and success, that the person has been featured in the media or is popular on social media.
5. **Market** justifications emphasize financial aspects, such as buying, selling and profits.
6. Finally, **industrial** justifications attempt to show the efficiency of a venture, the professionalism of the entrepreneur and/or how funding will help improve productivity.

THREE STUDIES TO DETERMINE GENDER DIFFERENCES

According to information on its website, the prosocial organization Kiva has funded more than \$1.6 billion in loans in 77 countries and has attracted 1.9 million lenders. Based on 1.2 million pitches provided by Kiva, I conducted three studies.

The first examined entrepreneurs' use of different justifications, by gender. Using a sample of US pitches, I found that justifications generally followed gender-role expectations. Women entrepreneurs were more likely than men to use inspired and domestic justifications and less likely to use market and industrial justifications in their pitches. Somewhat surprising, women were less likely to use civic justifications than men.

The second study, perhaps the most interesting, used pitches from multiple countries to look at the effectiveness of justifications employed by women and men. I found that women and

men are both more likely to be successful in quickly obtaining funding if they counteract certain stereotypical gender expectations.

Potential donors are more likely to see women entrepreneurs as facing more structural barriers, and therefore to have a legitimate need for financial resources. At the same time, prosocial donors — who are not looking to make a profit but to make a social contribution — in wanting to make an impact. Therefore, women entrepreneurs are more likely to be successful in attracting investment when they emphasize their desire to create change — to be proactive — and justify the potential of their venture (by using, for example, inspired and market justifications).

Men, on the other hand, are more likely to improve their chances when they can demonstrate a legitimate need (by emphasizing that their projects aim to contribute to the collective welfare rather than their own economic betterment, using civic justifications).

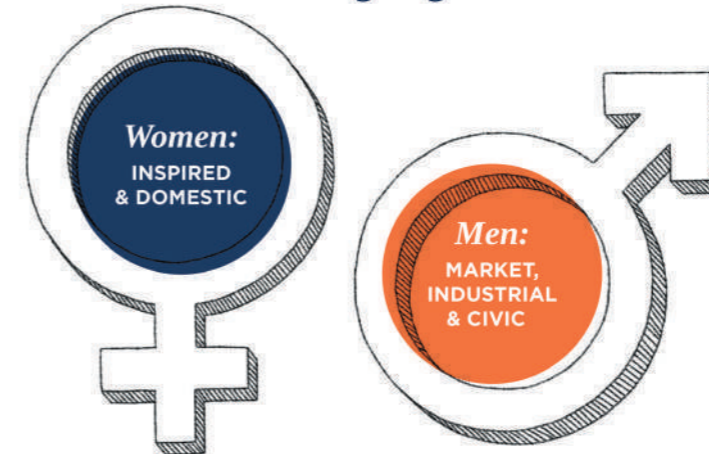
MALE AND FEMALE DONORS SHOW NO MAJOR DIFFERENCES

In the third study, using a random sample of 38,907 Kiva investors, my results showed, contrary to expectation, that male and female prosocial investors on crowdfunding platforms do not differ much in their preferences for certain justifications. In addition, women investors do not prefer to fund women entrepreneurs, for example.

While past crowdfunding research has focused on the attributes of entrepreneurs and the characteristics of successful campaigns, there has been a lack of attention to how the nature of justifications employed in crowdfunding pitches influences potential backers. These studies attempt to address this issue.

Moreover, this research adds to other studies that suggest that gender dynamics in crowdfunding are different from those in a traditional funding context.

Most-used justification categories, according to gender



PRACTICAL APPLICATIONS

My research confirms that prosocial crowdfunding platforms, such as Kiva.org, play an important role in providing equitable access to capital to early-stage entrepreneurs, particularly women. In addition, it shows that the choice of words used to justify requests for funding is important. It is therefore recommended that entrepreneurs seek inspiration for their pitches by looking at successful past ventures for the language that was used.

METHODOLOGY

Using 1.2 million crowdfunding pitches made available by Kiva, I developed a dictionary composed of words that indicate six different justifications, based on French sociologists Luc Boltanski and Laurent Thévenot's work. I first evaluated the six justifications' validity using a sample from crowdfunding platforms, including DonorsChoose.org and GlobalGiving.org, and then scored each pitch for each of the justifications. I evaluated the success of the pitches based on the speed in which they received funding and the role different justifications played in a pitch's success.

Reference: Based on an interview with Santosh B. Srinivas and his dissertation, "Gender and the Crowd: Differential Effectiveness of Justifications Used by Entrepreneurs in Their Crowdfunding Pitches."

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Why So Few Women Occupy the Most Lucrative Jobs

Though women have made inroads into traditionally male-dominated sectors, gender gaps still exist in the most influential and best-paid jobs. Two authors looked beyond discriminatory hiring practices and women's "self-selection" out of applying for highly desired jobs — and find explanations at the heart of corporate culture.



“ORGANIZATIONS MUST ADDRESS DEEP-SEATED ORGANIZATIONAL ISSUES TO ENCOURAGE FEMALE APPLICANTS AND CHANNEL THEM INTO THEIR TALENT PIPELINE.”

Roxana Barbulescu

Associate Professor of Management and Human Resources at HEC Paris

A large factor in the persistent gender pay gap is the fact that men and women tend to work in different occupations and sectors, with men in consistently higher-paying positions and industries. Major banks, for example — which offer some of the highest salaries available — have a stunningly poor record in promoting gender parity. They rank among the companies that have paid the most in damages for workplace discrimination and harassment cases in the US. One recent study found that Bank of America, and its subsidiary Merrill Lynch, had paid \$210 million since 2000, the most of any large corporation. Morgan Stanley was fourth on the list, at \$150 million, and Wells Fargo ninth, at \$68 million. Altogether, the financial services industry has paid a whopping \$530 million in penalties.

SOCIETAL PENALTIES FOR DISCRIMINATION

Meanwhile, in this #MeToo era, regulations that aim to equalize or at least illuminate gender pay gaps are increasingly being imposed. In the UK it is mandatory for companies with 250 or more employees to disclose their gender pay gap. Some European countries and US states have a “diversity mandate” for corporate boards.

So obeying the law and avoiding penalties alone would be sufficient reason to question why there are so few women in some of the best

jobs today. In addition, it has been widely demonstrated that a diverse workforce benefits companies with an enlarged talent pool, greater innovation, and improved performance. So why the persistent glass ceiling? Are some companies offering women fewer positions at less pay, as some studies have found? Or is it that women are not applying for certain jobs? It is difficult to say without looking closely at the entire timeline of the employment search.

FIRST-EVER STUDY OF THE COMPLETE JOB-APPLICATION PROCESS

We sought to study the way in which equally skilled men and women go through the job-application process in order to understand gender segregation in the workforce — and the concomitant earnings gap between men and women. We conducted the first study of its kind, surveying more than 1,000 students from a large European MBA program. We examined the thoughts and expectations of applicants at different points during the job search, as well as employment outcomes.

We noted that three factors determine which jobs applicants pursue: how individuals evaluate the rewards provided by different jobs, whether they identify with those jobs and whether they believe that their applications will be successful. To our knowledge, at the time of publication our analyses provided the first direct evidence that similarly qualified men and women will

sometimes apply to different kinds of jobs, based on the effects of their gender role beliefs. Our study has since been acknowledged as having addressed an important gap in understanding the gender pay gap and is now a key reference for subsequent related research.

WOMEN SEEK WORK-LIFE BALANCE AND AVOID “MASCULINE” JOBS

Specifically, our findings indicated that women are less likely than men to apply to finance and consulting jobs, which offered the highest incomes in the cases we studied and are more likely to apply to general management positions. These differences are partly explained by women's preference for jobs with better anticipated work-life balance, their lower identification with stereotypically masculine jobs (particularly in finance) and their lower expectations of job offer success in such stereotypically masculine jobs. Contrary

to stereotypes about women, women in our sample were just as motivated by high salaries as men. Also interesting to note: though they were less likely to apply to finance jobs, women were in fact more likely than men to have worked in finance jobs prior to the MBA program.

Surprisingly, despite their lower expectations of receiving job offers, we found no evidence that women were less likely to obtain job offers in any of the fields studied once they applied. These results point to the ways in which gender differences can become entrenched through assumptions that job candidates carry with them into the application process.

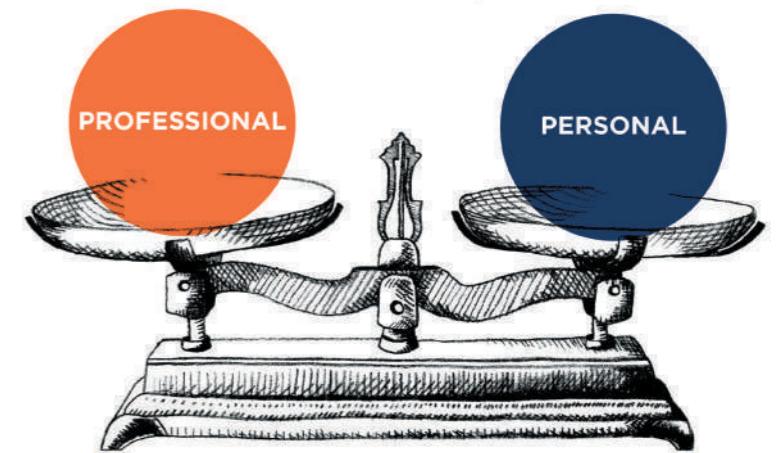
THE “WEAK PIPELINE”: A WEAK EXCUSE

Even though in our study gender segregation is largely a consequence of application behavior, much of that application behavior ultimately reflects facets of the job that employers have control over. For example,

practices that reduce conflicts between work and family could encourage more women to apply. It is also possible that a long record of discrimination has shaped the way that women identify with and expect to succeed in jobs in finance and other sectors.

In short, organizations must address deep-seated organizational issues to encourage female applicants and channel them into their talent pipeline. They may check off all the legal boxes, and reduce bias in hiring. But if they do not change the culture at their organizations, women may not apply at all. As an introduction to our work put it, “Organizations tend to use the weak pipeline as a justification for why they have not made more progress, but they tend not to look into the ways that their practices might actually be producing the pipeline problem.”

Women seek work-life balance



PRACTICAL APPLICATIONS

Society is increasingly imposing regulations and sanctions in the area of workplace gender parity. Therefore, understanding your company's position in this regard, and making necessary corrections, could be crucial. However, beyond avoiding negative legal or regulatory outcomes, there are positive benefits to encouraging diversity: it enlarges the potential talent pool and encourages innovation and a broader viewpoint. Yet attracting more women in traditionally masculine settings involves more than changing the photos in a brochure. It requires shaking up the entire corporate culture to reduce conflicts between work and family, and — perhaps less tangible — transforming the atmosphere, the level of aggressiveness, and the language used in meetings and internal documents.

METHODOLOGY

We collected data from three classes, 1,250 students total, in a large European MBA program over two years as they searched for new jobs. We divided potential jobs into three categories: finance, consulting and general management. We surveyed the students at the beginning, middle and end of the process about their preferences (salary, work-life balance), how much they identified with certain jobs, the jobs they applied for, their expectations of getting an offer, the offers they received and the offer they accepted. We analyzed the data to determine differences in viewpoint and outcome for male and female job seekers.

Reference: Based on an interview with Roxana Barbulescu and her article “Do Women Choose Different Jobs From Men?” (Organization Science, May-June 2013), co-written with Matthew Bidwell. The article was part of a virtual special issue of Organization Science on gender and organization science in October 2018.

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HEC Paris, Knowledge@HEC

1, rue de la Libération
78350 Jouy-en-Josas, France
Phone: + 33 (0)1.39.67.70.00 email:
knowledge@hec.fr

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HEC Paris in Qatar

Building Po8
Wadi Msheireb Street
Msheireb Downtown
P.O. Box - 5825
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Thank you all for your contribution

PROFESSORS

Pablo Martin de Holan
Shaheena Janjuha-Jivraj
Oliver Gottschalg
Thomas Åstebro
Florian Hoos
Marieke Huysentruyt
Santosh B. Srinivas
Roxana Barbulescu

DIRECTOR OF PUBLICATION

Christophe Pérignon
Associate Dean for Research,
HEC Paris

EDITORS-IN-CHIEF

Celine Bonnet-Laquitaine
Editorial and Communications
Project Manager, HEC Paris

Patricia Arenas
Communications and Marketing
Coordinator, HEC Paris in Qatar

ASSOCIATE EDITORS

Andrea Davoust
Business Digest

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