

Three Essays Exploring Motivational Influences in Entrepreneurship

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## **ABSTRACT**

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Drawing upon the regulatory theories of focus, mode, and fit, the three chapters of this dissertation demonstrate that subtle distinctions in framing and word choice can have profound impact for entrepreneurs and their startups. In Chapter 1, a field study and experiment on regulatory focus reveal that investors pose promotion-focused questions in the domain of gains to male entrepreneurs and prevention-focused questions in the domain of losses to female entrepreneurs, helping to explain the sizable gap in their respective funding outcomes. Chapter 2's archival and experimental studies pertaining to regulatory mode indicate that organizations with mission statements high in locomotion (the mode of urgent action) and low in assessment (the mode of thoughtful consideration) have a greater likelihood and frequency of involvement in Equal Employment Opportunity Commission cases of discrimination. Across an observational and experimental pilot, Chapter 3 shows entrepreneurs seek regulatory fit in the form of social identity alignment that helps to explain variance in talent selection and retention, with those manifesting the identity of a "builder" (motivated to incrementally improve over time) exhibiting higher tenure rates than those manifesting the identity of a "disrupter" (motivated to break with the status quo). Implications for theory and practice are discussed.

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## PREFACE

The following dissertation offers insights from motivation science that inform our understanding of variations in key organizational outcomes for early stage ventures. I have woven together the dissertation's three separate chapters with several threads: 1) theoretical, relying on various theories in the tradition of self-regulation; 2) methodological, embracing a complementary mix of quantitative methods; 3) analytical, applying manual and programmatic techniques in linguistic analysis; and 4) contextual, focusing on decisions made in the domain of entrepreneurship. These three sets of studies reflect a "self-regulatory journey" I have undertaken over the past few years, representing a natural theoretical progression that first and foremost investigated the impact of goal inductions related to orientation (*What goals are we oriented to achieve?*); then pursuit (*Once oriented, how do we pursue a given goal?*); next identity (*How do these goals help shape our identities?*); and finally fit (*What happens when we achieve goal fit vs. non-fit?*). The subsequent chapters reveal these inductions help predict three important consequences for entrepreneurs, as well as their startups and investors: venture funding, discrimination activity, and talent retention. Throughout, this dissertational work consistently applies micro-level theory to better understand the antecedents of macro-level outcomes and to suggest interventions that may elicit improvements.

Favoring a mixed methods approach, each of the following papers combines field, archival, and observational studies that explore correlational relationships with controlled experiments that isolate causal relationships. Across the studies to follow, I measure motivation in strategic field settings and manipulate fundamental motivations through experimental inductions, uncovering motivational "nudges" that have the potential power to change perspectives and impact behaviors. These investigations pair linguistic software processing techniques with manual coding procedures

to identify social psychological mechanisms within textual data patterns<sup>1</sup>. Serving as the foundation for all of my studies, I source and compile original data sets and use quantitative analytics to examine them. Taken together, my analyses demonstrate that motivational language can have a subtle yet significant impact on key outcomes for organizations and their employees. More specifically, I show how distinctions in framing and word choice are able to influence such factors as the perception of an organization's deservingness of funding as well as its viability for growth. I discover that these motivational influences also affect whether employees will join and stay with a given organization, and even whether or not managers consider ethical standards in making decisions involving potential for discrimination. In doing so, I perform supplemental analyses that serve to strengthen confidence in these main predictor variables while exploring and refuting alternative explanations for their effects.

In this dissertation, I treat entrepreneurship as a particularly important and strategic context in which to examine motivational influences in decision making. That is because conditions of high uncertainty and low degree of available information prevalent in entrepreneurship generate a reliance upon heuristics and a vulnerability to bias in the decision-making process. I find that the stakes of these motivationally-influenced decisions are particularly high for both the survival and growth of early stage ventures, affecting investors, founders, and their team members. More broadly, these startups and small businesses constitute a key driver of U.S. economic activity and engine for labor market growth. At this critical stage in an organization's lifecycle, research-based interventions like those my dissertation prescribes can have a profound impact on the trajectory of treated stakeholders.

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<sup>1</sup> Manual coding can complement mechanical processing techniques as vocabulary-driven measurements of text are hypersensitive to context and demographics.

## Chapter 1

Prior to embarking upon my PhD in Management, I co-founded and ran a startup. This experience as a female entrepreneur fueled my passion to examine the sizable gap in venture funds raised by male versus female entrepreneurs seeking comparable amounts of capital. In the process of raising funding for my startup, I noticed something interesting was happening—I was getting asked a different set of questions than my male co-founder. Having launched my startup in the demo pit at the TechCrunch pitch competition, I recalled that both the pitches and Q&A interactions between entrepreneurs and the world’s most prominent investors taking place onstage were videotaped.

I set out to collect these videos and linguistically analyze their transcriptions using both mechanical and manual coding techniques for all years the competition ran in New York City. I then married these transcriptions with data obtained from startup databases Crunchbase and Angellist. In doing so, I was thus able to not only retrieve the dependent variable of funding but also control for key factors that can influence funding outcomes. This exercise gave rise to my primary research stream, recently published in *The Academy of Management Journal* as “We Ask Men to Win & Women Not to Lose: Closing the Gender Gap in Startup Funding.”<sup>2</sup> Investigating the previously unexplored question-and-answer portion of the fundraising process using the social psychological theory of goal orientation known as Regulatory Focus (Higgins, 1997, 1998), my paper combines a unique field study with a controlled experiment to tackle two important questions:

*What are the forces that help perpetuate gender inequality in fundraising?*

*How can those forces potentially be diminished or reversed?*

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<sup>2</sup> Co-authored with Laura Huang, Mark A. Conley and E. Tory Higgins (2018).

In addressing these questions, my co-authors and I first developed and tested a conceptual framework demonstrating that investors' implicit biases prompt female entrepreneurs to position their ventures as being less viable for investment than male-led enterprises. Our novel dataset—consisting of nearly 2,000 question-and-answer exchanges between investors and entrepreneurs compiled from TechCrunch Disrupt NYC Startup Battlefield videos for 2010-2016—revealed the presence of a gender bias in investor questions that significantly hinders funding outcomes for female-led startups. Simulating the TechCrunch environment, we then went on to design a unique experiment for 194 angel investors and 106 laypeople that manipulated the regulatory focus of questions and answers using audio vignettes redacted from the TechCrunch transcripts.

Applying regulatory focus theory as an analytical lens, we found that the goal orientation of investor questions varies according to the gender of the entrepreneur seeking capital: male candidates for funding are asked promotion questions (in the domain of gains) and female candidates are asked prevention questions (in the domain of losses), helping to predict their divergent funding outcomes. In fact, we learned that the prevalence of prevention questions—a true non-fit in this gain-maximizing context—mediates the relationship between entrepreneur gender and funding outcomes. Notably, we discovered that entrepreneurs are apt to respond in kind, engaging in a behavior we coin “motivational matching.” In other words, individuals are likely to provide an answer that matches the regulatory focus of the question they are asked.

As such, female founders inadvertently position their startups at a disadvantage when answering investor questions, aggravating their association with the unfavorable domain of losses by responding to a prevention question with a prevention answer. In contrast, male entrepreneurs have the luxury to reinforce their association with the favorable domain of gains by simply responding in kind to a promotion question with a promotion response. These gendered questions

and corresponding answers only serve to perpetuate the misperception of differences in goal preferences harbored by male versus female entrepreneurs, fueling their funding disparity. Fortunately, we uncovered motivational “switching” as the basis for a promising intervention that enables female entrepreneurs to remedy the disadvantage: those entrepreneurs who respond to prevention questions with promotion answers can significantly increase the funds raised by their respective startups.

Perhaps the most fulfilling aspect of this research is the opportunity to design and test interventions that apply Chapter 1’s findings to benefit real-world organizations. Research-driven results that are not only descriptive but prescriptive empower others to take action and have the ability to elicit real change. My hope is that subtle changes in reframing questions and answers for regulatory focus can help promote gender parity so that the most deserving startups—regardless of whether they are led by men or women—receive the funding they need to thrive. I am fortunate to have cultivated relationships with a number of industry research partners that can help disseminate this knowledge. After publishing an article for a practitioner audience in *Harvard Business Review*<sup>3</sup> based on Chapter 1’s results from the *Academy of Management Journal*, various investing and entrepreneurial networks approached me to develop training workshops for their members. Since then, I have designed and pilot-tested training for the Angel Capital Association, Golden Seeds, Inter-American Development Bank, Monarq Incubator, Rise of the Rest, Techstars, and Women Entrepreneurs Bootcamp in the US and abroad based upon these research findings.

## **Chapter 2**

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<sup>3</sup> Kanze, Huang, Conley & Higgins, 2017.

Individuals and the organizations for which they work are not just affected by the orientation of their goals explored in Chapter 1; they are also motivated to pursue those goals in distinct ways. When allegations of sexual harassment at Uber emerged during the spring of 2017, I noticed that reporters repeatedly referenced the company’s mode of pursuing its organizational goals as one that embraces “acting first and asking questions later.” The social psychological theory of goal pursuit known as Regulatory Mode (Higgins, Kruglanski & Pierro, 2003; Kruglanski, Thompson, Higgins, Atash, Pierro, Shah & Spiegel, 2000) would suggest that Uber favors a locomotion mode of urgent action while subordinating an assessment mode of thoughtful consideration. I wondered if Uber’s mode of goal pursuit might inadvertently induce employees to engage in various forms of workplace discrimination in the face of the company’s espoused nondiscriminatory policies.

Aligned with my interest in addressing sources of inequality, this secondary research stream exploring the antecedents of workplace discrimination is in press at *Organizational Behavior and Human Decision Processes* and entitled “The Motivation of Mission Statements: How Regulatory Mode Influences Workplace Discrimination.”<sup>4</sup> Drawing upon regulatory mode theory, this paper combines a unique ten-year archival study with a controlled experiment to confront a relevant and pressing question:

*What are the forces that continue to motivate discrimination in the workplace, despite ongoing reform and the implementation of best practices?*

In addressing this question, my co-authors and I turned to US franchises as our strategic research setting because they employ a significant portion of the US workforce across a geographic footprint that spans all states and industries—in particular, lower-income employees most

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<sup>4</sup> Co-authored with Mark A. Conley and E. Tory Higgins.

susceptible to and affected by discrimination. Aside from affecting franchise workers, the stakes for franchise entrepreneurs are also quite high, with any given discrimination settlement threatening the loss of their initial startup investment and potentially placing them into financial bankruptcy. Leveraging regulatory mode theory to linguistically analyze franchise mission statements using mechanical processing, we learned that franchises' mode of goal pursuit predicts franchise involvement in EEOC workplace discrimination, both in terms of likelihood and frequency of discrimination.

In collaboration with 11 of the foremost scholars on goal pursuit, my co-authors and I set out to meticulously construct and validate a dictionary of 68 regulatory mode terms, reflecting two distinct means by which goals may be pursued—one that embraces swift movement from one goal to the next (34 terms related to locomotion mode), the other that values thoughtful comparison of options related to a given goal (34 terms related to assessment mode). We then applied this dictionary as a means to linguistically analyze a novel dataset of franchise discrimination settlements compiled from the Equal Employment Opportunity Commission's archives for the 2007- 2017 period against a set of non-discriminating franchises from Entrepreneur's Franchise 2017 list. Our field work shows that mission statements high in locomotion (the "doer" mode) and low in assessment (the "thinker" mode) are involved in significantly greater levels of discrimination.

As a complement to these correlational findings, we conducted a set of experiments that manipulated the regulatory mode of franchise mission statements and placed participants into actual workplace discrimination scenarios derived from the EEOC archives. Tasking participants with managerial decisions relating to human resources, we found that exposure to franchise mission statements high in locomotion (no assessment) caused them to discriminate significantly more than

those high in assessment (no locomotion). We went on to discover that participants' consideration of ethical standards mediates the relationship between regulatory mode and discrimination.

In fact, we found significant support for a hypothesized serial mediation path whereby those induced into locomotion (versus assessment) are less inclined to devote the time and effort required to consider ethical standards, thus amplifying their involvement in discrimination. Our second experiment served as a high-powered replication of the first, while distinguishing the effects of goal pursuit from those of bottom line mentality, action, and morality priming. Importantly, this experiment also compared the effects of regulatory mode on discrimination versus a control condition. Our results held even when controlling for participants' familiarity with nondiscrimination policies, relevant experience, and chronic regulatory mode disposition, implying that an organization's situationally-induced goal pursuits can override such factors.

Collectively, Chapter 2's findings indicate that locomotion and assessment can operate as countervailing forces in an organization's motivational messaging to limit discrimination exposure in franchises and other corporations. On a practical note, the results suggest that balancing locomotion with assessment directives can help startups like Uber and more established players like Google organically motivate their employees to engage in non-discriminatory decision making. This work also points to the fact that companies ought to integrate ethical considerations into the way in which they do business, rather than merely espouse these principles in standalone documents, such as ethical codes of conduct and nondiscrimination policies.

### **Chapter 3**

My third stream of research consists of a manuscript entitled "Motivated to Break or to Build: Entrepreneurial Identities Affect Who Starts and Stays."<sup>5</sup> This work explores the way in

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<sup>5</sup> Also see work co-authored with Sheena Iyengar in Harvard Business Review (2017).

which entrepreneurs internalize and identify with salient goals, as well as what consequences this identification has for startups' human capital. Here we conducted an observational analysis of the entrepreneurial narratives of several thousand Crunchbase-listed entrepreneurs using data from LinkedIn, examining their professional responses to the identity question "Who Am I?" by scraping their summary and role-specific entries. We then tied this textual data from their profiles to data from the Crunchbase platform on the startups with which they were associated. Next, we paired this observational study with a controlled experimental exercise conducted online that exposed participants to manipulated entrepreneurial narratives and captured their own individual identities as well. Drawing upon Regulatory Fit Theory (Higgins, 2000), we hypothesized and found support for a behavior of "identity matching" whereby entrepreneurs continuously seek an organizational fit based on their social identities. More specifically, alignment between an individual's social identity (operationalized as one's self-identified entrepreneurial group membership) and that of a given venture predicts his/her selection into the startup and how long he/she remains with the startup.

In the tradition of unifying work within identity theory (Powell & Baker, 2014, 2017), this work on social identity also furthers our understanding of previously established entrepreneurial role identities of inventor, developer, and founder (Cardon, Wincent, Singh & Drnovsek, 2009). We discovered that individuals with entrepreneurial role identities of inventors manifested a social identity of "Disrupter," while those with role identities of developers manifested a social identity of "Builder." Both Disrupters and Builders exhibit multiple role identities whereby the role identities of inventor and developer are distinct from one another but overlap with that of founder. Our textual analyses conducted via natural language processing techniques revealed that disrupters and builders differ along a key goal dimension: disrupters are motivated to have a transformative impact on the

world by breaking with the status quo, while builders are motivated to incrementally improve upon a given offering over time.

Across our observational and experimental studies, we learned that these distinct social identities are associated with divergent consequences for the retention of startup talent. In particular, Builders exhibit significantly higher average months of tenure than Disrupters—even when controlling for such factors as Disrupters’ significantly higher rates of serial entrepreneurship. Equipped with the knowledge that entrepreneurial talent may be motivated to either disrupt or to build, entrepreneurs can work more effectively towards attracting as well as retaining resources. Specifically, startup hiring managers can tailor their entrepreneurial narratives and job descriptions in their recruiting profiles to match the identities they seek to attract and likewise coordinate their motivational messages to retain those individuals based upon identity matching.

Chapter 3’s studies collectively suggest that disrupters are able to entice likeminded potential team members with their groundbreaking ideas. But they are likely to move on to the next disruptive endeavor once the one they are working on reaches a threshold of stability. In contrast, builders embrace the mundane, day-to-day details needed to incrementally improve upon a proven concept and appear willing to nurture the product into the next level of growth. With that in mind, it may be beneficial to associate both types of identities with one’s startup, depending upon its developmental stage and short- versus long-term goals at any given time in the organization’s lifecycle. For example, startups may recruit disrupters when conceptualizing and launching an MVP (minimum viable product) and builders to instead develop and iterate on subsequent product releases. Beyond entrepreneurship, corporations can use this distinction as a framework to select and motivate employees for nascent as opposed to established projects by being cognizant of whether the impulse to break or build makes them tick.

## CHAPTER 1

### **We Ask Men to Win & Women Not to Lose: Closing the Gender Gap in Startup Funding**

#### **ABSTRACT**

Male entrepreneurs are known to raise higher levels of funding than their female counterparts, but the underlying mechanism for this funding disparity remains contested. Drawing upon Regulatory Focus Theory, we propose that the gap originates with a gender bias in the questions that investors pose to entrepreneurs. A field study conducted on question and answer interactions at TechCrunch Disrupt New York City during 2010 through 2016 reveals that investors tend to ask male entrepreneurs promotion-focused questions and female entrepreneurs prevention-focused questions, and that entrepreneurs tend to respond with matching regulatory focus. This distinction in the regulatory focus of investor questions and entrepreneur responses results in divergent funding outcomes for entrepreneurs whereby those asked promotion-focused questions raise significantly higher amounts of funding than those asked prevention-focused questions. We demonstrate that every additional prevention-focused question significantly hinders the entrepreneur's ability to raise capital, fully mediating gender's effect on funding. By experimentally testing an intervention, we find that entrepreneurs can significantly increase funding for their startups when responding to prevention-focused questions with promotion-focused answers. As we offer evidence regarding tactics that can be employed to diminish the gender disadvantage in funding outcomes, this study has practical as well as theoretical implications for entrepreneurship.

**Keywords:** Entrepreneurship, Venture Capital, Early Stage Financing, Gender Gap, Implicit Bias, Regulatory Focus Theory, Linguistic Analysis

Chapter 1 reflects the following work: Kanze, D., Huang, L., Conley, M. A. & Higgins, E. T. (2018). We Ask Men to Win and Women Not to Lose: Closing the Gender Gap in Startup Funding. *Academy of Management Journal*, 61(2), 586-614 reprinted herein with the explicit permission of The Academy of Management.

## INTRODUCTION

Female-founded firms constitute nearly 40% of all privately-held companies in the U.S. (*The State of Women-Owned Businesses Report*, 2017), yet only two percent of U.S. venture capital financing is allocated to female founders (*Pitchbook-NVCA Venture Monitor*, 2017). Given financial resources are a crucial factor for both the success and growth prospects of new ventures (Cooper, Gimeno-Gascon & Woo, 1994; Shane & Stuart, 2002), this paradoxical set of statistics demonstrates that female entrepreneurs face a key disadvantage in attempting to nurture large, well-known—as opposed to smaller “family” and “lifestyle”—businesses. Such gender disadvantages ultimately operate to the detriment of macroeconomic growth as recent large scale research studies support a link between women in top management positions and enhanced firm performance (Dezsö & Ross, 2012; Khan & Vieito, 2013; Peni, 2014).

Although sustained interest in gender distinctions by venture theorists suggests that a funding gap persists, the overall magnitude of the disparity and its underlying mechanism remain disputed (Eddleston, Ladge, Mitteness & Balachandra, 2016). Some scholars argue that variance observed in funding outcomes is the direct result of biased investors who choose to disproportionately provide capital to male entrepreneurs (Balachandra, Briggs, Eddleston & Brush, 2013; Brooks, Huang, Kearney & Murray, 2014). Others contend that gender differences in capital allocations are the byproduct of female entrepreneurs seeking and hence receiving less capital for their ventures (Coleman & Robb, 2009; Morris, Miyasaki, Watters & Coombes, 2006). These scholars suggest it may not be unusual, and might even be expected, that female entrepreneurs receive lower amounts of financing than their male counterparts.

The former *investor*-driven explanations primarily point to direct biases in allocating capital whereby investors make decisions based on surface perceptions of overt characteristics,

especially in contexts marked by an absence of data, such as venture capital. Observables that have been linked to venture capital outcomes across pitch competitions, funding platforms and experimental settings include such characteristics as speech patterns, nonverbal gestures, displayed social competence, attractiveness and—perhaps most readily observable—gender (Balachandra et al, 2013; Clark, 2008; Gorbatai & Nelson, 2015; Huang, Frideger & Pearce, 2013). The latter *entrepreneur*-driven literature highlights the fact that women are more likely to be associated with less capital-intensive businesses, with lower tolerance for risk inherent in aggressive growth efforts, and hence less desire for the type of financial capital required to fund that level of growth (Cliff, 1998; Loscocco, Robinson, Hall & Allen, 1991; Morris et al, 2006).

We contribute an integrated examination of the gender disparity in venture funding by considering both investor-driven and entrepreneur-driven factors to interpret, and perhaps reconcile, these alternative explanations. Absent from the literature is an embedded perspective that seeks to understand how investor-driven biases influence the perception of entrepreneur-driven differences. We test for the presence of a bias in investor questions, which prompts female entrepreneurs to respond in a manner that positions their ventures as being less growth-oriented than male-led enterprises. These responses, in turn, contribute to downstream biases from investors in the investment cycle. Our conceptual framework in Figure 1 illustrates how female entrepreneurs are compromised in their efforts to raise venture funding.

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Insert Figure 1 about here  
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We examine this proposed framework through question and answer “Q&A” exchanges between venture capitalist “VC” and entrepreneur, an underexplored yet critical aspect of the capital allocation process, regardless of whether the interaction is taking place at a pitch competition or in the boardroom of a venture fund. The Q&A portion of the funding pipeline has

been empirically overlooked by scholars, despite the acknowledgement that “the expert VC selection process is often highly personal in nature, with signals communicated during face-to-face meetings” (Mollick, 2013: 5), as well as industry efforts to highlight the importance of these Q&A sessions as part of the VC funding process (Gladstone & Gladstone, 2002). We explore the presence of message framing during the back-and-forth Q&A discussion by drawing from research on goal orientation. Specifically, our study observes regulatory focus framing, which reflects two distinct and independent self-regulatory concerns: promotion and prevention (Higgins, 1997, 1998).

Regulatory Focus Theory “RFT” states that individuals engaging in goal-directed behavior are motivated towards: (a) attaining gains and changing to a better state for promotion or (b) maintaining non-losses and not changing to a worse state for prevention (Higgins, 1997, 1998; Higgins & Cornwell, 2016). Regulatory focus has been shown to impact outcomes in a variety of settings, including consumer purchasing behaviors (Werth & Foerster, 2007), leadership styles (Kark & Van Dijk, 2007), and even athletic performance (Plessner, Unkelbach, Memmert, Baltes & Kolb, 2009). It stands to reason that RFT has strong implications for entrepreneurial investment decisions; venture capitalist questions articulated with a promotion focus emphasize attaining growth-oriented gains that are facilitated by capital (*How do you intend to acquire customers? What does your revenue forecast look like?*). In contrast, those articulated with a prevention focus emphasize maintaining non-losses and not losing capital (*What does customer retention look like? Are you operating at breakeven?*). By examining the Q&A portion of the funding pipeline for the salience of promotion or prevention, we confront the following questions: Do investors communicate differently depending upon whether they are

addressing female as opposed to male entrepreneurs? How does an investor's question impact an entrepreneur's response? Can this interaction help to explain their divergent funding outcomes?

We find that a cognitive bias associated with stereotypic judgments leads investors to ask gendered questions. Our investigation demonstrates that investors present questions with a distinct regulatory focus depending upon the gender of the entrepreneur they address. More specifically, venture capitalists tend to ask male entrepreneurs promotion-focused questions and female entrepreneurs prevention-focused questions. These questions, in turn, tend to induce responses of corresponding regulatory focus, whereby promotion questions beget promotion responses and prevention questions beget prevention responses. The regulatory focus of the resultant system—consisting of the types of questions and responses associated with male versus female entrepreneurs—helps explain disparities in their respective funding outcomes.

We observed regulatory focus at work in the venture community by examining the most prestigious startup competition, TechCrunch Disrupt's Startup Battlefield. This event gathers the world's top early stage startups onstage to compete for the Disrupt Cup cash prize, as well as the consideration of world-renowned investors and visibility from the broader media. The format of this competition—where entrepreneurs publicly address a panel of investor judges—allowed for the measurement of regulatory focus distinctions in questions posed to both genders, as well as responses provided by both genders. To test our hypotheses, we benefitted from the unique data set of authentic venture capitalist-and-entrepreneur interactions compiled from transcribing video footage across all years of this competition. The transcribed video footage of these interactions then served as the basis for a complementary experiment that manipulated the regulatory focus of both questions and responses to observe its funding consequences in a controlled setting. Turning

to professional and ordinary investors as subjects, this experiment explored a potential intervention that may be used to improve funding outcomes for disadvantaged entrepreneurs.

Our study makes several contributions to the existing body of research. First, we offer new explanatory insight to the venture funding and gender literatures: our research helps bridge explanations for the gender-based funding gap by suggesting that investors may not have a direct and explicit bias against women based on their ascribed, or observable, characteristics (Alsos & Ljunggren, 2016; Jennings & Brush, 2013). Instead, investors may unwittingly offer female entrepreneurs fewer opportunities to present themselves in the same beneficial manner as their male colleagues. By framing questions differently, investors elicit less favorable responses from female than male entrepreneurs. Consequently, implicit bias occurs at multiple stages—once in the type of questions asked of an entrepreneur and then again in evaluating the entrepreneur based upon the answers to these questions. These observations further our understanding of subtle, as opposed to overt, biases that persist in professional domains (Joshi, Son & Roh, 2015).

In contrast to prior research on venture funding, we apply a framework that examines the funding gap phenomenon from a process perspective rather than as singular events. This approach enables us to tease apart the entrepreneur-driven from the investor-driven streams, isolating the latter as precursor to the former. We conclude that both investors and entrepreneurs inadvertently contribute to the gender disparity in funding outcomes. Dissecting the venture screening criteria, we identify a cyclical interaction that perpetuates gender bias in the venture community, one that is far more deeply ingrained and insidious than direct and explicit bias. In demonstrating that startups of equivalent quality and need raise markedly different amounts of funding due to gender bias in Q&A interactions, our studies have broader labor market implications: by handicapping high quality female-led startups from surviving and growing to

achieve their productivity potential, investors perpetuate inequality while placing downward pressure on employment and GDP growth (Braunstein, 2008).

Our approach straddles the micro-macro divide, employing a sociopsychological mechanism to enhance the literature that lies at the intersection of venture screening and gender. This research contributes to our conceptual understanding of how gender bias at the individual investor level influences venture outcomes at the startup firm level. Inspecting the root cause and effect of investor bias, we are then able to introduce a novel intervention into the literature that can break the cycle of bias and yield more positive outcomes for those subjected to its adverse consequences. In doing so, we extend academic and applied knowledge of both the mechanisms and gender-neutralizing interventions that can help to promote gender parity (Hekman, Johnson, Der Foo & Yang, 2017; Leslie, Mayer & Kravitz, 2014).

## **THEORETICAL DEVELOPMENT**

### **The Venture Selection Process**

Early stage ventures rely on venture funding; without financial backing, ventures are constrained in their efforts to achieve high growth (Cooper et al, 1994). Given the critical role of venture funding in fueling the startup ecosystem, it is no surprise that criteria for evaluating new ventures for funding has been studied by venture selection scholars for over four decades (Baum & Silverman, 2004; Poindexter, 1975; Shepherd, 1999; Tyebjee & Bruno, 1984). This body of venture selection research reveals distinct criteria for “screening in” versus “screening out” ventures: the screening-in criteria are concerned with ranking decisions designed to approximate the likelihood of success (Khan, 1987; Riquelme & Rickards, 1992; Shepherd & Zacharakis, 2002), whereas screening-out criteria are designed to disqualify ventures by determining their likelihood of failure (Gorman & Sahlman, 1989; Meyer, Zacharakis & De Castro, 1993).

Within the venture community, we see a common underlying thread among prominent venture capitalists in terms of the questions posed to, and expectations placed upon, entrepreneurs when allocating capital. Practitioner evidence suggests venture capitalists want entrepreneurs to take advantage of massive market opportunities, convey their vision about what their brands will become in the future, promote their uniqueness (*Forbes*, 2013) and, as venture capitalist Jalak Jobanputra of FuturePerfect Ventures notes, “value growth at all costs” (*The Wall Street Journal*, 2016). The academic criteria devoted to screening in ventures mirrors that of the venture capital industry, investigating the likelihood of success. This criteria list encompasses such factors as attractive target market characteristics, including size and growth potential (Bachher & Guild, 1996; Dixon, 1991; Rea, 1989); business opportunity, including performance indicators and proprietary nature of the product (Feeney, Haines & Riding, 1999; Stuart, Hoang & Hybels, 1999); expectation of maximizing returns (Roure & Keeley, 1990; Tyebjee & Bruno, 1981; Ueda, 2004); and growth strategy (Kirsch, Goldfarb & Gera, 2009).

As early stage opportunities are inherently risky, investors at times employ a competitive strategy that focuses on reasons to screen out prospects based on criteria for eliminating ventures from consideration (Poindexter, 1975; Tyebjee & Bruno, 1984). Franke, Gruber, Harhoff, and Henkel (2008) referred to these *conditio sine qua non*, or indispensable conditions, as “knock-out criteria.” MacMillan and colleagues reveal that investors rely on criteria that screen out ventures “where there is risk of failure due to unqualified management, where management may well be qualified but lack experience, where basic viability of the project is in doubt, and where there is high exposure to competitive attack and profit erosion before the investment can be recouped” (MacMillan, Zemann & Subbanarasimha, 1987: 124).

In the absence of concrete performance metrics, both screening-in and screening-out criteria are receptive to various signals of quality (and inferiority) when forming decisions about early stage ventures (Hsu & Ziedonis, 2008). Quality signals referenced in the venture screening literature include trusted referrals and network ties that serve as reputational endorsements (Shane & Cable, 2002; Stuart, Hoang & Hybels, 1999); founder backgrounds (Burton, Sørensen & Beckman, 2002); and degree of passion and preparedness (Chen, Yao & Kotha, 2009; Kirsch et al, 2009; Mitteness, Sudek & Cardon, 2012). Given the face-to-face nature of the venture funding process (Huang & Knight, 2017; Mollick, 2013), the means by which venture capitalists utilize signals to assess venture quality are inevitably fraught with inherent biases, including those related to homophily (Ruef, Aldrich & Carter, 2003); cognition (Zacharakis & Shepherd, 2001); geography (Stuart & Sorenson, 2003) and gender (Alsos & Ljunggren, 2016). We contribute to the literature residing at the cross-section of venture screening and gender bias by examining whether screening-in, as opposed to screening-out, criteria are typically applied to male, as opposed to female, entrepreneurs raising capital.

***Gender and the Allocation of Capital.*** Upper echelons research showcases the positive influence of women in top management teams “TMT,” including improved firm profitability metrics (Adler, 2001; Krishnan & Park, 2005; Smith, Smith & Verner, 2006); managerial task performance (Dezsö & Ross, 2012); chance of survival (Faccio, Marchica & Murac, 2016); and various shareholder wealth measures, including Tobin’s  $q$  and post-IPO stock returns (Dezsö & Ross, 2008; Krishnan & Parsons, 2008). The literature attributes the advantages of women in TMT to their understanding of consumer behavior and customer needs (Brennan & McCafferty, 1997); communication skills (Schubert, 2006); leadership style (Eagly & Carli, 2003); ethical sensitivity (Cumming, Leung & Rui, 2015); and enrichment of informational and social

diversity, fostering innovation (Dezsö & Ross, 2012). Despite these recognized benefits, recent research documents the fact that TMT hardships persist with regards to women's degree of representation (Cook & Glass, 2014); organizational rewards (Joshi et al, 2015); compensation (Blau & Kahn, 2017); and, notably, financing (Eddleston et al, 2016).

Although female entrepreneurs have been found to express demand for capital, they are rarely supplied with the requisite funds to aggressively grow their startups (Brush, Carter, Gatewood, Greene & Hart, 2001). To understand how much—and what types of—capital female entrepreneurs demand in comparison to their male counterparts, one line of research has examined the *entrepreneur-driven* rationale arguing that female entrepreneurs have less appetite for external funding (Coleman & Robb, 2009) and equity financing, in particular (Orser, Riding & Manley, 2006). Venture research offers a variety of explanations for why this might be the case, including: lower tolerance for risk (Cliff, 1998; Verheul & Thurik, 2001); lack of goal orientation towards achieving aggressive growth (Morris et al, 2006; Sexton, 1989); motivation relating to non-monetary factors (Hughes, 2006; Manolova, Brush & Edelman, 2008); preference for less capital-intensive industries, favoring ventures in retail, consumer products and services over those in high-tech, energy and financial sectors (Du Rietz & Henrekson, 2000; Loscocco et al, 1991; Menzies, Diochon & Gasse, 2004); and work-life balance considerations as a function of familial role expectations (Anna, Chandler, Jansen & Mero, 2000; Heilman & Chen, 2003; Yang & Aldrich, 2014). In sum, this body of research rests on the premise that certain women are content to start modest “lifestyle” businesses with personal funds that cater to low-growth “female friendly” industries, driven by a perceived need to balance the competing demands of work and family.

An alternate stream of research challenges this notion that female entrepreneurs simply demand lower amounts of venture capital than their male peers, but similarly documents negative funding outcomes for women. This *investor-driven* research argues that, all else being equal, women may instead be facing a discriminatory disadvantage to men in the venture arena. According to Brooks and colleagues, even when women and men present startup pitches with comparable content, investors demonstrate a preference for male-led startups (Brooks et al, 2014). Investor discrimination may be a question of taste, which is typically a function of personal prejudice (Marom, Robb & Sade, 2015); homophily, marked by male investor bonds to male entrepreneurs in male-dominated industries like venture funding (Greenberg & Mollick, 2017); or perception, based on stereotypical ascriptions whereby investors see entrepreneurship as a masculine-typed endeavor that women are incapable of successfully undertaking (Balachandra et al, 2013; Bird & Brush, 2002).

Across both streams of research, it is clear that women raise significantly lower amounts of venture funding than men. However, the two aforementioned rationales within the academic literature present different arguments as to why this is the case. We examine whether gender-based funding distinctions exist in a setting where both female and male entrepreneurs actively seek comparable amounts of venture funding to grow their startups. By focusing on a sample of capital-intensive rather than lifestyle businesses, we have the opportunity to empirically disentangle the conflicting investor-driven from the entrepreneur-driven contentions present in the research streams to arrive at a baseline hypothesis:

*Hypothesis 1. Male entrepreneurs raise significantly higher amounts of venture funding than female entrepreneurs who seek out comparable amounts of capital.*

***Regulatory Focus in Venture Setting.*** Examined through the lens of Regulatory Focus Theory (Higgins, 1997, 1998), we find that the venture screening literature's criteria for

“screening in” ventures for funding consideration map well to promotion concerns, whereas the criteria for “screening out” ventures from funding consideration map well to prevention concerns. A promotion focus emphasizes hopes, accomplishments and advancement needs; goals are viewed as ideals, where there is a concern for attaining gains (i.e. the presence of positives) and avoiding non-gains (i.e. the absence of positives). In contrast, a prevention focus emphasizes safety, responsibility and security needs; goals are instead viewed as oughts, where there is a concern for maintaining non-losses (i.e. the absence of negatives) and avoiding losses (i.e. the presence of negatives). These states of promotion and prevention can be activated by situations and environments (Förster, Higgins & Idson, 1998; Higgins, 2000). As the literature supports a stable, domain-specific regulatory focus in such contexts as organizational settings (Brockner & Higgins, 2001), we anticipate why this may be the case in early stage investment settings as well.

Given investors’ aforementioned preference for advancement and growth over safety and security when in the mindset of allocating funds, one might expect to see venture capitalists pose predominantly promotion-focused questions and primarily provide promotion-focused feedback to entrepreneurs. If an entrepreneur’s goal is not only to receive funds but to maximize funding for his or her startup, an accompanying promotion focus from the venture capitalist doling out funds will generate the highest chance of success for the entrepreneur. On the other hand, a prevention-focused Q&A session with a VC motivated to screen out ventures should result in a negative outcome in terms of funds raised. Prevention considerations of maintaining the status quo and not losing market position are unattractive prospects for investors in nascent ventures with little track record or market share to defend.

But what if the regulatory focus of investor screening questions is not consistent for all requestors and instead differs according to the gender of the entrepreneur addressed? Research

has found a double standard in screening bank loans whereby a different set of evaluative criteria and requirements (e.g. interest rates, collateral) is applied to women as opposed to men seeking funds (Eddleston et al, 2016). Orser and Foster (1994: 16) went so far as to claim that “supposedly objective criteria are applied in a subjective manner to the detriment of female entrepreneurs.” Doubt has been cast on female founders’ qualifications (Greene, Brush, Hart & Saporito, 2001; Menzies et al, 2004); knowledge (Boden & Nucci, 2000; Carter, Williams & Reynolds, 1997; Fairlie & Robb, 2009); and ability to manage for basic viability (Robb, 2002)—key elements of the criteria for “screening out” as opposed to “screening in” ventures.

We thus anticipate a regulatory focus distinction between investor questions asked of men versus women in our sample that corresponds to the “screening in” versus “screening out” criteria. Specifically, we expect that investors are more likely to ask male entrepreneurs promotion-focused questions, placing greater emphasis on the addressable market, potential for top line growth, customer acquisition and vision (i.e. “Is this opportunity big enough to maximize gains?”). In contrast, we anticipate investors are more likely to ask female entrepreneurs prevention-focused questions, expressing concern for the ability to execute while vetting progress to-date, customer retention, vigilance and efficiency (i.e. “Let’s see what can go wrong here so we can minimize losses”).

*Hypothesis 2. Investors are more likely to pose promotion-focused questions to male entrepreneurs and prevention-focused questions to female entrepreneurs.*

***Regulatory Focus and Venture Funding Outcomes.*** Given a promotion focus aims to “ensure hits and ensure against errors of omission,” those with this orientation tend to execute opportunities more quickly and easily than those with a prevention focus who seek to “ensure correct rejections and ensure against errors of commission” (Crowe & Higgins, 1997: 117). When faced with opportunities for gains, the promotion state’s concern for swiftness and volume

of accomplishments overrides concern for the inherent risks involved. The prevention state is instead concerned with quality and accuracy over the swiftness and volume of accomplishments (Higgins & Spiegel, 2004).

Gamache and colleagues found a distinction in regulatory focus among CEOs to influence their pursuit of acquisitions, with promotion-focused CEOs driven by a pressing concern for not missing out on any given purchase opportunity (Gamache, McNamara, Mannor & Johnson, 2015). This scenario is similar to venture investing in that acquisitions are, by definition, majority investments in corporations. In the context of entrepreneurship, Brockner and co-authors revealed that a promotion focus enables founders to acquire resources, while a prevention focus aids in identifying and rejecting unsound offers. They suggest that, “On the promotion front, getting others to provide financial resources requires the ability to make a persuasive case to potential investors. This may well require framing the venture in terms of ideals and aspirations, something lofty that will make investors choose the venture over others” (Brockner, Higgins & Low, 2004: 211).

On the other hand, Brockner and colleagues go on to reason that, “Prevention focus (with its emphasis on not making mistakes, ensuring non-losses)” concerns being “trusted to do things competently and with good intentions” (Brockner et al, 2004: 211). Reason dictates that promotion-focused (versus prevention-focused) questions will depict the venture in a beneficial light for the entrepreneur to acquire larger amounts of a crucial resource: venture capital. When venture capitalists are motivated by a concern for commission-related errors (Crowe & Higgins, 1997), they will instead focus on potential reasons to *not* invest and will draw attention to ways in which the investment could potentially go awry (Lanaj, Chang & Johnson, 2012), rather than

why the investment might be successful. This prevention framing will impede the entrepreneur from acquiring venture capital.

*Hypothesis 3a. Entrepreneurs who receive promotion-focused questions raise more funding than those who receive prevention-focused questions from investors.*

Each additional prevention-focused question casts greater doubt on the entrepreneur's ability to execute and reinforces a loss- rather than advantageous gain-related orientation. We thus propose that an association with a higher degree of prevention questions will further penalize venture-seeking entrepreneurs due to the prevention state's emphasis on the potential for enduring losses. To reiterate, we suspect there are significant differences in the amount of prevention-focused questions asked based upon entrepreneur gender, and we anticipate the presence of these questions will have a significant impact on startup funding outcomes. We can therefore also expect that the differential degree of prevention-focused questions asked of male versus female entrepreneurs will significantly predict funding outcomes. Phrased differently, we identify prevention focus as a possible mechanism through which funding is low for women relative to men. Consequently, this distinction in regulatory focus should explain the divergent funding outcomes for startups led by either gender.

*Hypothesis 3b. The prevalence of prevention-focused questions mediates the relationship between entrepreneur gender and startup funding outcomes.*

Venture capitalists' interactions with entrepreneurs involve not only investor *questions* but also entrepreneur *responses*. Drawing from the literature on Linguistic Style Matching "LSM," we formulate an argument as to how entrepreneurs will respond to investor questions. LSM scholars study the ways in which humans nonconsciously match words in an intuitive effort to coordinate with one another when conversing (Gonzales, Hancock & Pennebaker, 2010), where matching occurs on a word or conversation level (Niederhoffer & Pennebaker, 2002). This matching includes such linguistic facets as grammar, syntax, categories of speech and word

choice (Clarke, 1983). LSM has been observed in a variety of settings, from romantic partnerships (Bowen, Winczewski & Collins, 2016) to police interrogations (Richardson, Taylor, Snook, Conchie & Bennell, 2014) and crisis negotiations (Rogan, 2011). Perhaps most applicable for investor and entrepreneur Q&A activity, Niederhoffer and Pennebaker (2002) found that a speaker's word use can prime a listener to respond in a specific manner.

It stands to reason that the presence of regulatory focus in the words used by an investor can likewise prime the regulatory focus word use of an entrepreneur's response. Beyond the LSM explanation for word matching, there is a strong motivational force driving the "motivational matching" of regulatory focus messages. The literature on regulatory fit reveals that "when there is fit, people engage more strongly in what they are doing and 'feel right' about it" (Higgins, 2005: 209). Motivated towards regulatory fit, we expect that entrepreneurs will respond to investors with messages that match the orientation of questions posed.

*Hypothesis 4a. Investor questions induce entrepreneur responses of matching regulatory focus, whereby promotion-focused questions beget promotion-focused responses and prevention-focused questions beget prevention-focused responses.*

Neurolinguistic programming or "NLP" techniques (O'Connor & Seymour, 2011) apply verbal (and nonverbal) matching to establish rapport, build trust and influence others in settings like telemarketing (Nancarrow & Penn, 1998) and sales (Connell, 1984). In terms of regulatory focus, however, we expect matching techniques will only yield positive outcomes for the entrepreneur when the orientation of the funding dialogue is that of promotion. Recall from our reasoning in Hypothesis 3 that a greater degree of prevention focus in the types of questions asked of entrepreneurs will adversely impact their funding outcomes.

This logic can also encompass the negative influence of prevention-focused responses. Turning again to regulatory fit, we recognize that the impact of regulatory focus depends on its

match with salient situational characteristics, i.e. promotion focus in the gain-maximizing context of venture funding (Higgins, 2000). Prevention-focused responses will only serve to increase the predominance of prevention in a given dialogue. This incongruent type of response will continue to degrade, rather than improve, performance (Plessner et al, 2009). However, if an entrepreneur were to respond to a prevention-focused question with a promotion-focused answer, this serves as an opportunity to reframe and redirect the dialogue towards situational congruency for regulatory fit (Brockner et al, 2004).

*Hypothesis 4b. Entrepreneurs who respond to prevention-focused questions with promotion-focused answers raise more funding than those who respond to prevention-focused questions with prevention-focused answers.*

## **OVERVIEW OF STUDIES**

We conducted two studies to test the above hypotheses, the first *correlational* and the second *causal*. Study 1 was a field study that observed Q&A interactions between venture capitalists and entrepreneurs at TechCrunch Disrupt Startup Battlefield competitions. The “real world” environment of this field study allows for generalizability to a variety of investment decision-making contexts, while providing the benefit of direct and consistent observation of comparable startups with similar needs across multiple years of observation. Study 2 utilized an experimental design to orthogonally manipulate the regulatory focus of investor questions and entrepreneur answers. This experiment allows for replication on additional subject populations, consisting of professional angel investors<sup>6</sup> and representative ordinary investors. Employing an experimental design, we isolated the effect of Q&A regulatory focus on funding allocations while controlling for the quality and stage of the startup, as well as verbal and nonverbal

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<sup>6</sup> Angel investors are wealthy individuals who invest their own capital into early stage ventures.

variations of the entrepreneur. Lastly, we were able to obtain rich insights into the rationale behind investing decisions through the use of open-ended questions.

## **STUDY 1: FIELD STUDY**

### **Setting**

TechCrunch Disrupt Startup Battlefield is widely regarded as the most prestigious setting for startups to launch. The 623 startups that presented at TechCrunch competitions across all locations—including such industry darlings as Dropbox, Fitbit and Mint—have raised an aggregate \$6.6 billion, with 83 exits (IPOs and acquisitions) among them. Judges include prominent venture capitalists from around the world. The competition takes place over the course of three days, allocating six minutes for each participant to pitch,<sup>7</sup> followed by another six minutes for venture capitalists to ask questions of the contestants.

### **Sample**

Our sample constitutes the data set of startups that participated in the TechCrunch Disrupt Startup Battlefield for all years the competition has run in New York City, since its inception in 2010 through the latest available year of 2016, for a total of 189 companies. The Founder & CEOs were asked 1,857 questions for a total of 28,213 transcribed words. Investor questions gave rise to 1,718 unique responses for a total of 36,642 transcribed words. Table 1 showcases the descriptive characteristics of the startups and investors that participated.

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Insert Table 1 about here  
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TechCrunch Disrupt serves as a strategic sample that offers several benefits, including: a) standardization and completeness of TechCrunch Disrupt video footage for all startup

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<sup>7</sup> In addition to the Q&A sessions, we also analyzed all entrepreneur pitches and found no significant distinction in the regulatory focus of male versus female entrepreneur pitch presentations (see “Additional Analyses”).

presentations and venture capital Q&A sessions, with an enforced time frame for presentations and Q&A format that is consistent across all years; b) gender identification of speakers for attribution of all transcribed words, including those spoken by entrepreneur presenters and venture capitalist judges; c) pairing of video footage with Crunchbase data, including information on the founding date, company description, funds raised and operating status; and d) criteria for participation, helping to reject the demand-side question, “Are women asking for less money because they simply found companies with lower capital needs?” as only startups with a demonstrated need for venture capital are accepted<sup>8</sup>.

## **Methods**

To construct a measure of regulatory focus, our methods consisted of a computer-aided textual analysis “CATA” and manual coding analysis, both of which entail the textual examination of video transcripts. The management literature reflects a rich history of applying content tools to examine the impact of attributes, cognitions and motivations on various firm outcomes (Eggers & Kaplan, 2009; Nadkarni & Barr, 2008). Similarly, there is ample precedent for performing linguistic analysis, or the content analysis of word usage, to assess regulatory focus strength (Gamache et al, 2015; Johnson & Lanaj, 2012) in such a way as to avoid self-assessment bias (Johnson & Steinman, 2009).

The combination of our two complementary content analysis techniques<sup>9</sup> that test the same hypothesis via different approaches—the Frequency Count and the Qualitative Approach—results in more meaningful measurements of our construct of interest and enhances the validity

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<sup>8</sup> See “Capital Needs;” note the nonsignificant difference between the distributions of female- vs. male-dominated industries served by the female vs. male founders in the sample (United States Department of Labor, 2015).

<sup>9</sup> We use these two methodologies ( $r = .71$ ) to arrive at one validated measure of regulatory focus, which we apply to predict funding outcomes for Hypotheses 3 and 4.

of our analysis through triangulation (Jehn & Doucet, 1997; Weber, 1990). This union of CATA and manual coding that we embrace in our study has been found to address many of the reliability concerns traditionally associated with manual coding (Gephart & Wolfe, 1989) while resulting in acceptable levels of semantic validity (Morris, 1994). The first of our methodologies involves mechanically analyzing the Q&A transcripts for frequency of promotion versus prevention lexicon. This methodology, sometimes referred to as “FC” for frequency count, represents the foundation of content analysis (Holsti, 1969; Klaus, 1980).

For our “FC” or “mechanical” analysis, we relied upon the dictionaries of 27 promotion and 25 prevention words developed and validated by Gamache and colleagues in their study analyzing the prevalence of these terms across CEO shareholder letters (Gamache et al, 2015); reference Appendix A for the specific regulatory focus words. We uploaded these respective dictionaries into Linguistic Inquiry and Word Count “LIWC” software to determine their frequencies (Pennebaker, Booth & Francis, 2007). To illustrate the results, we have included examples of transcribed text for which LIWC registered promotion *vs.* prevention terms:

During the Q&A session with a particular male entrepreneur, a VC asked:

“And where do you want to get if everything is fine...what is your **aspiration**?” (Promotion term bolded; zero prevention terms).

Conversely, a VC asked a particular female entrepreneur the following question during Q&A:

“How do you **prevent** people from gaming your game?” (Prevention term bolded; zero promotion terms).

There are, however, certain limitations associated with this methodology as LIWC does not distinguish between phrases related to the consumer, which is not meaningful to our analysis, and the entrepreneur and his or her startup, which are relevant. One such example involves the concept of pain points; when a question asks about a consumer’s pain point that the entrepreneur and his or her startup is seeking to solve, the word “pain” classifies as a prevention-focused term,

but the essence of the question is actually promotion-focused. Similarly, LIWC cannot recognize prevention questions that are related to the security industry. For instance, inquiries about a security platform should not appear as prevention-focused questions directed towards an entrepreneur because the safety and security of the startup is not in doubt. Lastly, the dictionary approach leaves LIWC vulnerable to a low detection rate; the software is not sensitive enough to capture intentions that do not directly overlap with the very specific 52 words in the regulatory focus dictionary (Gamache et al, 2015).

These limitations led us to also perform a more nuanced analysis, allowing for the translation of 1,857 VC questions and corresponding 1,718 entrepreneur answers into blind codes of gains/non-gains and losses/non-losses (Summerville & Roese, 2008) following the Weber Protocol (Weber, 1990). Unlike LIWC, human coders considered the venture context and understood the meaning of how each term was used in this specific situation. In other words, coders were blind to the gender of the judge and the entrepreneur, but not blind to the overarching concepts inherent to venture funding. Promotion (*prevention*) coding distinctions emblematic of our rubric include customer acquisition (*customer retention*), sales (*net margin*), market size (*market share*), growth (*stability*), strategic vision (*operating efficiency*), promotion of entrepreneur presenting (*vetting the team*); see Coding Rubric in Appendix B.

## **Measures**

***Independent Variable.*** We utilized both continuous and binary measures of regulatory focus. The computerized method provides a frequency output that calculates the proportion of promotion and prevention terms appearing in a sample of transcribed words. The resulting measure is continuous, calculated as the difference between the promotion and prevention score yielded by LIWC, with a differential variable range from -2.08 and 2.50. Our manual method

relied upon the independent blind coding of the questions and answers into binary promotion versus prevention intentions by two raters who achieved a .97 intercoder agreement based on an overlapping random sample of 1,000 combinations (Tinsley and Weiss, 2000)<sup>10</sup>.

Applying the binary code counts for each startup, we then constructed a firm-level regulatory focus measure of all questions and answers associated with each entrepreneur by taking the difference in the number of promotion and prevention intentions, in line with prior research (Cesario & Higgins, 2008). Based on the sign of the continuous variable, we translated this measure into a binary (promotion / prevention) code for each firm that we then tied to funding outcomes. We also utilized a continuous measure of firm-level prevention questions, hypothesized to influence firm funding outcomes, in effort to leverage both binary and continuous measures of regulatory focus.

***Dependent Variable.*** Our field study seeks to understand whether there is a correlational relationship between the types of conversations startups have with investors and the funds they raise. TechCrunch Disrupt represents a generalizable field setting, providing a rarely available window into the typical discussions investors have with entrepreneurs across board rooms, online funding platforms, and competitions every day. As this Q&A is emblematic of the discussions startups have over the entire course of their lifetimes, it makes sense to likewise link these discussions with the total funds raised by these startups over the course of their lifetimes. For the continuous measure of the outcome variable, we thus utilized funds raised as the total US dollar value of funding received by each of the startups across various funding rounds, including seed, angel and venture-led rounds. We verified our funding measure against a variety of

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<sup>10</sup> 1,057 questions coded as promotion-focused, 637 as prevention-focused, 163 as neutral (those with repeated intentions and those that lack a distinct focus); 911 responses coded as promotion-focused, 474 as prevention-focused and 333 as neutral (single word acknowledgements and other answers lacking distinct focus).

sources, encompassing Crunchbase, Angellist, press releases (including TechCrunch and VentureBeat coverage), as well as representatives of the startups. We also log transformed the total dollar value of funds raised in order to account for skewed distributions when interpreting patterns in the data (Tabachnick & Fidell, 2007).<sup>11</sup>

## Controls

As control variables that can impact funds raised, we utilized: *startup age*, representing the total time since the startup's founding through the observed funding period; *startup quality score* provided by the Angellist platform that rates startups on a scale of 0 to 10 based upon a proprietary measure encompassing key performance indicators; *past experience* or "serial entrepreneurship," a binary measure of whether or not the startup has one or more members previously affiliated with startups; and *capital needs* for a binary measure of capital requirements associated with each startup and particular industry segment served.

**Capital Needs.** This measure is based on the weight that both practitioners and academics place upon indicators of scalability and intellectual property when evaluating capital needs. As TechCrunch Disrupt requires startups to exhibit a strong baseline (low) need for capital, we have assigned a binary (0,1) value of medium vs. high capital needs if one or more terms found to indicate the need for capital appear in the Company Description from a single source, Crunchbase, that is available for all startups in the sample. The presence of any of the

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<sup>11</sup> Note that the log values also employ a  $\text{Log}(\text{funds}+1)$  transformation for all values of zero funds raised. As an alternative dependent variable to funds raised, we also explored whether the regulatory focus of venture capitalist questions predicted successful contest outcomes. TechCrunch Disrupt audience choice, finalist, runner-up, and winner designations were coded as "success." Welch's t-test revealed startups that received promotion-focused questions had significantly more successful contest outcomes than those that received prevention-focused questions, with  $t(187) = 2.14, p < .05$ .

following scalability and intellectual property terms equates to a “1” value for startup capital needs: 3D, aggregation, AI, API, application, broadband, computing, device, engineering, hardware, infrastructure, intellectual property (IP), machine learning, malware, marketplace, patent, platform, programming, real-time, robotics, SaaS, scale, software, solution, supercomputing, system, technology, and tools.<sup>12</sup>

## Results

The descriptive statistics and intercorrelations for these capital needs and other relevant variables are depicted in Table 2. The table reveals that *capital needs* are significantly and positively correlated with the *natural log of funding* and with *quality*, while having a positive, nonsignificant correlation ( $p = .25$ ) with *female entrepreneurship*. This result supports baseline hypothesis 1 that we observe a set of startups with comparable capital needs regardless of gender. We can deduce that variations in funding are the result of capital supply-driven differences and not capital demand-driven differences as female-led entrepreneurs do not have a lower need for capital; in fact, they have a higher mean capital need ( $M = .86$ ) than male-led startups ( $M = .75$ ) in the sample.

*Quality* also has a nonsignificant correlation ( $p = .69$ ) with *female entrepreneurship*, providing more evidence against entrepreneur-driven differences. Likewise, *predominant promotion focus* of investor questions is not correlated ( $p = .20$ ) with startup *quality*, refuting the

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<sup>12</sup> We rely on industry guidance and the scholarly literature to provide a rationale for incorporating the scalability and IP terms into our measure. According to the National Venture Capital Association Yearbook (Haque, 2016), “a business concept needs to ...have superb scalability ... and be truly innovative” in order to qualify for venture funding. In terms of scalability, Marks, Robbins, Fernandez, and Funkhouser (2005: 462) defined this term as “a characteristic of a new business concept that entails the growth of sales and revenues with a much slower growth of organizational complexity and expenses” and goes on to reiterate that “venture capitalists look for scalability in the startups they select to finance.” The academic literature echoes this emphasis on innovation and scalability in publications on funding criteria (Hsu, 2007; Morris et al., 2006); Hsu (2007: 722) specified that, “for entrepreneurs of new ventures, particularly those with intangible, primarily intellectual property-based assets, venture capital is an important source of funding for the ongoing operations of the enterprise.”

counterargument that the regulatory focus of investor questions is driven by startup *quality* rather than entrepreneur gender. In support of our main theses, *predominant promotion focus* and *prevention count* have significantly negative ( $r = -0.51$ ) and positive ( $r = .51$ ) correlations with *female entrepreneurship*, respectively, both at  $p < .001$  levels. Likewise, the *natural log of funding* is positively correlated with *predominant promotion focus* ( $r = 0.47$ ) and negatively correlated with both *female entrepreneurship* ( $r = -0.58$ ) and *prevention count* ( $r = -0.38$ ), all at  $p < .001$ . Lastly, the significant negative correlation ( $r = -0.66, p < .001$ ) between *predominant promotion* and *prevention count* confirms the sensitivity of predominant regulatory focus to the continuous measure of prevention question count. In sum, we find ample support for our investor-driven argument and against the entrepreneur-driven argument.

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Insert Table 2 about here  
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We leveraged the above variables to perform a multiple linear regression analysis that evaluated the explanatory power of our field variables on funding variance. Across models 1 through 6, regulatory focus exerts the strongest influence on the natural log of funding, driving variance in funding outcomes. When examining the effects of regulatory focus in the presence of startup age, quality, capital needs, past experience and entrepreneur gender, Table 3 indicates that model (6) explained a significant amount of variance in funding ( $R^2 = 43\%, p < .001$ )<sup>13</sup>.

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Insert Table 3 about here  
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**Hypothesis Testing.** Welch’s t-test supported baseline Hypothesis 1 for the existence of a “supply side” funding gap, i.e. a significant difference in the amount of funding supplied to

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<sup>13</sup> Robustness checks reveal multiple linear regression results using a continuous RF (promotion – prevention count) rather than predominant RF (binary value of promotion vs. prevention) measure are all significant at  $p < .001$  level.

startups with similar capital needs led by men versus women. The findings revealed a significant main effect of gender on the natural log of funding in which startups led by male entrepreneurs raised significantly greater amounts of funding than those led by female entrepreneurs.

Importantly, these results held even when controlling for the age, quality, capital needs, and past experience of startups in the sample, with  $F(104) = 3.81$ ,  $R^2 = 32\%$ ,  $p < .01$ .

Both methodologies applied to our field data supported Hypothesis 2: male entrepreneurs are more likely to be asked promotion-focused questions, whereas female entrepreneurs are more likely to be asked prevention-focused questions. Via LIWC, a linear mixed-effects model<sup>14</sup> conducted by nesting investor questions within firm confirmed a significant main effect of entrepreneur gender on investor regulatory focus, with  $t(186) = 3.04$ ,  $p = .00$ . This model also revealed the main effect was not qualified by an interaction of entrepreneur gender and investor gender, with  $t(186) = 0.05$ ,  $p = .96$ . Collectively, these findings imply that both male and female investors are likely to address male entrepreneurs with promotion-focused questions and female entrepreneurs with prevention-focused questions.

A linear mixed-effects model conducted with manual coding further confirmed the regulatory focus of investor questions was significantly different for questions posed to male versus female entrepreneurs, given  $t(186) = 8.62$ ,  $p < .001$ . Like the mechanical results, this main effect of entrepreneur gender on regulatory focus of investor questions obtained via manual coding was not qualified by an interaction of entrepreneur gender and investor gender, with  $t(186) = 0.35$ ,  $p = .73$ . In other words, field results obtained via both methods indicated that the

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<sup>14</sup> We utilized the lme4 package in R to enable nesting within firm (Bates, Maechler, Bolker & Walker, 2014).

gender of the entrepreneur predicts the regulatory focus of the investor question posed, and that both male and female venture capitalists display gender bias against women.

Our field study provided significant support for Hypothesis 3a. Welch's t-test revealed a significant main effect of investor regulatory focus on the natural log of entrepreneur funding, with  $t(134) = 3.79, p < .001$ . Comparing dollar funds raised, we note that startups raised an average of \$16.8 million when investors asked predominantly promotion questions, 7.21 times more funding than the average \$2.3 million raised by those asked predominantly prevention questions. In addition to examining the funding impact based on the binary measure of predominance, we also regressed the natural log of total funds raised on the continuous measure to which predominant regulatory focus is sensitive: the number of prevention-coded questions that investors asked entrepreneurs.

Results revealed that degree of prevention focus, as measured by the number of investors' prevention-focused questions, adversely affects funding outcomes for entrepreneurs, with  $F(1, 134) = 22.59, R^2 = 0.15, p < .001$ . Aside from performing the analysis based on the log value of funding, we also examined the total dollar amount of funds raised. When interpreting the regression coefficient of this analysis, we note that entrepreneurs raised \$3.8 million less funding for each additional prevention question asked of them.

To test Hypothesis 3b, we checked for the presence of an indirect effect of entrepreneur gender on the natural log of funds raised, calculating 95% confidence intervals (CIs) with 10,000 bootstrap samples utilizing the PROCESS Macro for SPSS via the manual coding method (Preacher & Hayes, 2004; 2008). With startup age, quality, capital needs and past experience as covariates, Mediation Model Number 4 revealed significant support for Hypothesis 3b: the prevalence of prevention-focused questions fully mediated the effect of entrepreneur gender on

funding outcomes based on a bootstrapped confidence interval that did not contain zero (Indirect Effect = -0.40;  $SE = 0.23$ ;  $CI_{95} = -1.09, -0.08$ )<sup>15</sup>.

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Insert Figure 2 about here  
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To test Hypothesis 4a regarding the regulatory focus matching of responses to questions asked, we first analyzed our field data utilizing the mechanical method for promotion-promotion and prevention-prevention Q&A pairings. Based on a simple linear regression performed with LIWC, we found that the regulatory focus of investor questions significantly predicted the regulatory focus of entrepreneur responses ( $F(1, 187) = 14.22, R^2 = 0.07, p < .001$ ). Upon further investigation via the manual method, we learned that 160 (85%) of the 189 entrepreneurs matched the regulatory focus of their responses to the regulatory focus of the questions they were asked. The manual method confirmed that matching, as opposed to switching, of answers was again significant; regulatory focus of investor questions was predictive of entrepreneur responses, this time with  $F(1, 187) = 65.75, R^2 = 0.26, p < .001$ .

When testing Hypothesis 4b for the consequence of switching focus in the field, we confirmed that entrepreneurs who received prevention-focused questions and switched focus by responding in promotion raised significantly more funding than those who matched focus with a prevention response ( $F(1, 27) = 8.55, R^2 = 0.24, p < .01$ ). More specifically, we found that those who switched focus raised \$7.9 million in funding on average, 14.03 times more than the \$563,270 raised on average by those who matched. We devised an experiment, in part, to isolate regulatory focus as the causal mechanism for this funding increase.

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<sup>15</sup> Per the stipulations of a full mediation, the direct effect of gender on funding decreased to Direct Effect = 0.32;  $SE = 0.60$ ;  $CI_{95} = -0.87, 1.51$  for a confidence interval that no longer excludes zero.

***Additional Analyses.*** By conducting our field study on comparable companies and controlling for variables known to impact funding outcomes, Study 1 found support for entrepreneur gender influencing the regulatory focus of Q&A discussions, and for these discussions affecting startup funds raised. However, the possibility remains that these relationships may be a consequence of unobserved differences in the nature of female- and male-led startup opportunities and the way in which these opportunities are presented. Recall from Table 2 that quality was predictive of funding yet had a nonsignificant correlation with gender ( $p = .69$ ). Given the modest sample of 23 female entrepreneurs, we conducted a power test using R package *pwr* that revealed a  $\pi = .80$ , exceeding research standards for power adequacy (Cohen, 1988).

Having ruled out differences in the nature of the startups, we also investigated whether there were gendered regulatory focus distinctions in the startup pitches that may have acted as an antecedent to the regulatory focus of investors' questions. We found a positive nonsignificant correlation between predominant promotion focus and female presenter ( $p = .79$ ), with a  $\pi = .80$ . We also conducted power tests on the nonsignificant interactions between entrepreneur gender and judge gender whereby we refuted the presence of any homophilous effects ( $\pi = .82$  for male vs. female judges' questions to female entrepreneurs and  $\pi = .81$  for those posed to male entrepreneurs). As 140 judges each evaluated 4-5 opportunities, we did not observe a VC concentration issue; in the event that judges played a role, we performed a Hausman test comparing judge fixed effects against random model estimates, with a nonsignificant  $p$ -value of .26 indicating we use a random effects model as it pertains to judges (Greene, 2008).

## STUDY 2: EXPERIMENTAL TEST

Our field study's correlational findings and inherent limitations inspired the development of a controlled experiment intended to establish causality and address any remaining concerns related to alternative explanations for the field effects. We designed the experiment to accomplish several specific goals: a) to control for all entrepreneur-driven differences, isolating regulatory focus as the causal mechanism for variation in funding outcomes; b) to observe equal samples of male- and female-led startups; and c) to demonstrate that the effect of regulatory focus on funding is present among all evaluators of investment opportunities, including both accredited and non-accredited investors with varying degrees of experience<sup>16</sup>.

### Participants

Although venture capital represents a considerable dollar portion of US funds raised, these deals are infrequent; angel and other seed (i.e. earliest stage) financings involving affluent individual investors, family and friends constitute the majority of US funding deals (NVCA, 2016). In effort to generalize our findings across all such classes of investors participating in the funding ecosystem, we sought to replicate the significant VC results from the field using both accredited angel investors and representative ordinary seed investors as our experimental subjects. As such, we circulated an investor survey to two separate samples, running each as an independent experiment: (a) 194 angel investors<sup>17</sup> (70% men) attending a monthly angel investor

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<sup>16</sup> To qualify as an accredited individual investor, one must have a net worth (or joint worth with spouse) of at least one million U.S. dollars, excluding the value of one's primary residence, or have an annual income of at least \$200,000 (\$300,000 combined income if married) in each of the two most recent years according to SEC Rule 501 of Regulation D (Hazen, 2016: 85).

<sup>17</sup> Participating angels belong to one of 14 angel investor groups (average investor age = 46.9, average years investing experience = 9.3) located in the Mid-Atlantic region that primarily invest in high-technology start-ups at the pre-seed and seed stages, with an average investment per startup of \$30,000.

meeting who provided 776 funding allocations and (b) 106 potential seed investors<sup>18</sup> (53% men) from Amazon Mechanical Turk (“MTurk”) who provided 424 funding allocations.

## **Procedures**

All experimental participants were given the same scenario: “You work for a venture fund that has pre-vetted four ventures and determined each one meets the fund's investing criteria in terms of industry, geography and stage of development. You now have the opportunity to hear the Founder & CEO of each venture respond to 10 questions posed by a partner of your fund. After listening to each Q&A session, you will be given the opportunity to allocate a sum to each venture as you see fit (out of \$400,000 in total available funds).”

## **Design**

Our experiment manipulated the regulatory focus of investor questions and entrepreneur responses through the use of audio scripts consisting of promotion and prevention combinations<sup>19</sup>. Having confirmed a lack of evidence for any gender difference with regard to regulatory focus of entrepreneur pitches in Study 1, we were able to entirely remove pitches from this experimental setting, further isolating the impact of regulatory focus by only exposing participants to the Q&A interactions. The within-subjects, counterbalanced design is a two (promotion-focused *vs.* prevention-focused questions) by two (promotion-focused *vs.* prevention-focused answers) by two (female *vs.* male entrepreneurs as respondents) factorial. We designed the experiment to simulate the TechCrunch Disrupt question-and-answer experience that

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<sup>18</sup> MTurk’s cross-section of the broader US population (Buhrmester, Kwang & Gosling, 2011) is representative of the “non-accredited investors” or “everyday citizens” that were given the right to invest in private startups via Title IV of the JOBS Act. Since Title IV’s passing in 2015, the general public constitutes a growing source of seed financing through online crowdfunding and offline means.

<sup>19</sup> Regulatory focus has been induced in the lab through such activities as essay writing (Freitas & Higgins, 2002).

consisted of investor judges evaluating multiple startups, posing an average 9.8 questions to each in a 6-minute time frame.

For each of the four regulatory focus conditions, we created 6-minute audio file vignettes of a male-voiced “VC” asking 10 questions to male- versus female-voiced entrepreneurs who provided 10 answers on behalf of their fictitious ventures<sup>20</sup>. The audio scripts allowed us to maintain consistent speech patterns, while the audio (as opposed to video) clips enabled us to remove any influence of non-verbal gestures. By relying upon a single female and a single male voice for our gender distinction, we were also able to maintain consistency of vocal inflection to control for individual modulations of intonation and pitch. We used actual questions and answers from TechCrunch Disrupt transcripts as the basis for the audio clips, redacting the dialogue for any startup specifics and standardizing the clips for startup progress in order to control for any variations in quality and stage. As such, we removed all references to specific figures on market size, revenue, operating margins, number of users, and growth rates.

## **Measures**

***Independent Variable.*** We manipulated regulatory focus for each condition containing the following pairs of investor questions and entrepreneur answers: promotion question-promotion answer, prevention question-prevention answer, prevention question-promotion answer, and promotion question-prevention answer.

***Dependent Variable.*** The experiment used participant responses for “funds allocated” to startups associated with each of the question-and-answer conditions, out of a hypothetical total of \$400,000 in available funds, as the continuous measure of the outcome variable.

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<sup>20</sup> Given the field study revealed similar patterns for male and female investors, we utilized a single consistent male investor voice, representative of the industry standard, to achieve greater statistical control.

## Results

As our experiment employed a within-subjects, repeated-measures design, we performed a linear mixed-effects analysis using R's lme4 package to control for variance associated with random factors and enable nesting within subject (Bates, Maechler, Bolker & Walker, 2014). Examining the influence of regulatory focus on the continuous variable of funding, our results revealed significant support for the predictions regarding participants' allocations that were associated with investor questions and entrepreneur responses manipulated for regulatory focus.

***Hypothesis testing.*** Our experimental study confirmed the field results in support of Hypothesis 3a; the linear mixed effects model results revealed that the regulatory focus of investor questions significantly predicted funding allocations, with  $t(191) = 12.14$ ;  $p < .001$  for the accredited angel investors and  $t(103) = 6.65$ ,  $p < .001$  for the potential seed investors. Among accredited angel investors, the conditions with promotion questions were allocated a mean of \$133,259 out of \$400,000, 2.00 times more funding than the \$66,741 mean allocated to conditions with prevention questions. Potential seed investors similarly allocated \$124,151 to conditions with promotion questions, 1.64 times more funding than the \$75,849 allocated to the prevention question conditions. Notably, the experimental study—across both samples—confirmed the field results in support of Hypothesis 4b regarding the consequence of switching regulatory focus as a potential intervention to increase funding.

We observed a significant interaction between question regulatory focus and answer regulatory focus, with  $t(191) = 3.78$ ,  $p < .001$  for angels and  $t(103) = 4.06$ ,  $p < .001$  for seed investors. This interaction indicated a significant funding increase derived from switching answers to the beneficial promotion-focused response. Accredited angel investors allocated an average \$81,113 to the “prevention question–promotion answer” condition of switching focus,

1.55 times the average allocation of \$52,369 for the “prevention question–prevention answer” condition of matching focus. Likewise, potential seed investors allocated \$96,321 to the “prevention question–promotion answer” condition of switching focus, 1.74 times the average allocation of \$55,377 for the “prevention question–prevention answer” condition of matching.

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Insert Figure 3 about here  
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The open-ended questions in our experiment provided insights into the funding implications of the hypotheses above. In support of our conceptual framework, participants’ direct quotes in Appendix C revealed that a prevention question – prevention response combination positions entrepreneurs at a disadvantage to startups in the promotion question – promotion response condition. Qualitatively, we observed participants did not trust that entrepreneurs in the former condition were as confident as those in the latter about their firms’ growth prospects.

## **DISCUSSION**

This study investigated the influence of investor regulatory focus on entrepreneur positioning and funding outcomes as a function of gender. Narrowing our attention to the Q&A portion of the investing process, we evaluated the distinct promotion versus prevention focus of venture capitalist questions directed towards male versus female entrepreneurs, as well as the focus of the responses those questions induced. When constructing our theory of gendered distinctions in investor regulatory focus, we hypothesized *why* investors might tailor their questions based on the gender of the entrepreneur they are addressing, as well as *how* this tailoring impacts funding outcomes for entrepreneurs.

In doing so, we developed a conceptual framework for systemic bias—a process in which both investors and entrepreneurs are complicit—that jeopardizes female entrepreneurs. We tested and found support for our framework and its predictions: First, we confirmed our baseline hypothesis that female entrepreneurs raise significantly less funding than male entrepreneurs with similar funding needs. Second, we found support for investors’ regulatory focus as the mechanism for this disparity. Lastly, we revealed that entrepreneur responses to investor questions help perpetuate this disparity, which can be reduced by implementing our proposed “switching” intervention. Together, these confirmations broaden the application of regulatory focus into the body of research at the crossroads of *gender* and *venture capital*.

### **Gender Distinctions in Venture Funding**

In contrast to past investor-driven literature primarily focused on the pitch portion of the investor process (Balachandra et al, 2013; Clark, 2008; Pollack, Rutherford & Nagy, 2012), we theorized a new mechanism grounded instead in the Q&A component. Our study embraced a micro-level approach to examine the psychology underlying the macro-level funding ecosystem, specifically analyzing the critical component of the funding pipeline that relates to exchanges between venture capitalists and entrepreneurs. This cross-disciplinary perspective—uniting social psychology with performance-related outcomes in venture capital—answers a recent call to further bridge the micro-macro divide in gender inequality research (Joshi et al, 2015).

The study’s baseline contribution helps resolve a longstanding debate in the literature about whether the gender gap in financing is driven by entrepreneurs or investors. As such, our work responds to The Diana Project’s agenda to better understand the interplay between demand- and supply-side forces responsible for the gender gap (Brush, Carter, Gatewood & Greene, 2004). We contribute to the investor-driven theory within the gender inequality literature

in four ways: 1) by selecting a sample of ventures with comparable funding needs to eliminate variance in entrepreneur preferences as an explanation (Morris et al, 2006); 2) by calling further attention to an entrenched and implicit, as opposed to direct and explicit, bias (Alsos & Ljunggren, 2016); 3) by demonstrating how the venture capital selection process, operationalized as the framing of investor questions, influences the perception of differences in entrepreneur's motivational positioning (Coleman & Robb, 2009); and 4) by introducing a novel intervention for entrepreneurs and venture capitalists alike, which answers recent calls for organizations and scholars to help foster gender parity in male dominated contexts (Briscoe & Joshi, 2017).

Drawing upon research at the intersection of regulatory focus and entrepreneurship (Brockner et al, 2004), we developed and tested a conceptual framework that identifies distinctions in venture screening (screening-in vs. screening-out criteria) and maps these distinctions onto the regulatory focus (promotion vs. prevention focus) of investor questions and entrepreneur responses. We confirmed that investors displayed a distinct regulatory focus when interfacing with female versus male entrepreneurs. In contrast to previous venture research findings on homophily (Greenberg & Mollick, 2017; Ruef et al, 2003; Stuart & Sorenson, 2007), we found that female VCs varied their regulatory focus based on the gender of the entrepreneur they were addressing just as male VCs did. In other words, female VCs were more likely to ask promotion questions when interacting with male entrepreneurs and prevention questions when interacting with female entrepreneurs.

As biased behavior is being enacted by all investors—both male and female—this finding is suggestive of a stereotype at play, fueled by widely held beliefs shared among members of the social group of investors (Tajfel, 1981). Heuristics offer explanatory insight into the use of stereotypes, given the tendency to rely upon such information processing shortcuts in making

judgments under uncertainty (Tversky & Kahneman, 1975). When assessing early stage startups, marked by a lack of available information, evaluators access heuristics to form their investing decisions (Wickham, 2003). Notably, the representativeness heuristic reasons that investors will perceive a higher likelihood of object A (men) over object B (women) belonging to class C (venture-funded entrepreneurs) if object A is more representative of (i.e. similar to) the stereotype of class C than object B is (Tversky & Kahneman, 1975). As such, we expect to see stereotype-driven implicit bias in questions posed towards women in contexts where two conditions are present: 1) women are significantly underrepresented and 2) there is a high degree of uncertainty.

### **Practical Implications & Future Directions**

Our results suggest an unintentional double standard at play in the venture capital industry. Female entrepreneurs are implicitly expected to prove they can execute a safe return of capital to the investor, whereas male entrepreneurs are instead expected to show the opportunity can grow. The fact that both male and female venture capitalists display implicit bias, holding men and women to different standards, implies that the funding disparity cannot be corrected by merely ensuring that more female VCs are in a position to evaluate investment opportunities. This observation challenges the “industry representation” contention that more female venture capitalists will clear the path for more funded female entrepreneurs (Brush et al, 2001).

Unfortunately, the double standard inherent in investors’ questions induces likeminded responses from entrepreneurs, serving to undermine confidence and trust in female entrepreneurs while breeding confidence and trust in male entrepreneurs with similar growth prospects (based on our experimental feedback). Entrepreneurs intuitively match their responses to the regulatory focus of the investor questions asked of them. This downstream induction aggravates the gender

gap by prompting female respondents to position their startups as “playing not to lose” and male respondents to position themselves as “playing to win.” In turn, that positioning influences investor opinions, perpetuating the perception that women lack the appetite for growth.

Despite the gender disadvantages supported by our data on funding outcomes, our study indicates there is a silver lining for female entrepreneurs if these findings are applied in entrepreneurship training. Our field and experimental intervention results provide compelling evidence for a tactic entrepreneurs can use in order to level the playing field in venture funding. Armed with the knowledge that regulatory focus impacts funding outcomes, entrepreneurs can respond to prevention-focused questions with a promotion rather than prevention focus in order to elicit more positive results for their startups. For example, when asked a question about defending market share in a competitive market, the entrepreneur can respond by referencing the startup’s unique ability to gain advantage in a sizable, fast growing market that is so attractive to new entrants. Likewise, informed venture capitalists can now balance the promotion versus prevention orientation of their questions to more effectively screen entrepreneurs seeking capital.

Notably, our study also extends research on RFT by examining regulatory focus in the uncharted context of venture funding, answering calls to further investigate the influence of regulatory focus on entrepreneurship (Brockner et al, 2004). By analyzing question and answer combinations, our investigation of venture capitalist-and-entrepreneur interactions also broadens RFT to encompass the understanding of a behavior we coin “motivational matching.” We welcome interest in pursuing this new regulatory focus concept to understand the prevalence of these behaviors and the contexts in which matching versus switching yields positive outcomes.

Our study only observes the benefits of promotion over prevention in a generalized investment setting where entrepreneurs cater to a variety of industries and end users. Specialized

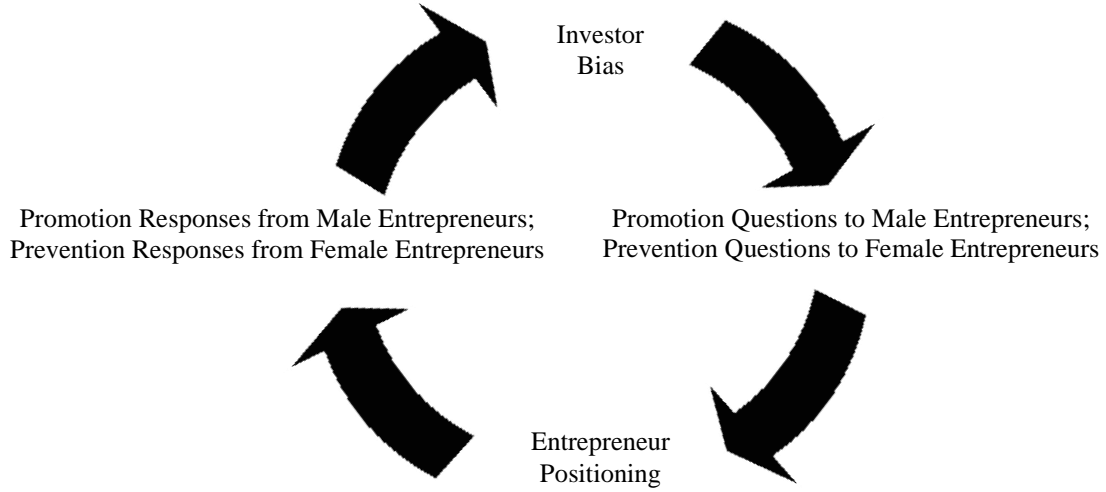
contexts such as social entrepreneurship and CSR that emphasize protection, responsibility and reduction of harm may instead reward companies that engage in prevention-oriented investment discussions. Given the proliferation of crowdfunding platforms (e.g. Kickstarter, Indiegogo, GoFundMe), future research can explore whether the regulatory focus of investor questions varies by gender in online settings lacking the vivid element of face-to-face interaction that is most conducive to observing gender. Additional opportunities exist to study the regulatory focus of questions and answers entirely outside the context of venture funding, investigating settings in which women are either not a minority or the high degree of uncertainty inherent in early stage startups is reduced by the presence of historical track record availability. Lastly, our experiment examines funding allocations directly after exposure to question-and-answer interactions; future studies may observe whether the effect is strengthened or tempered under various conditions of temporal delay.

## CONCLUSION

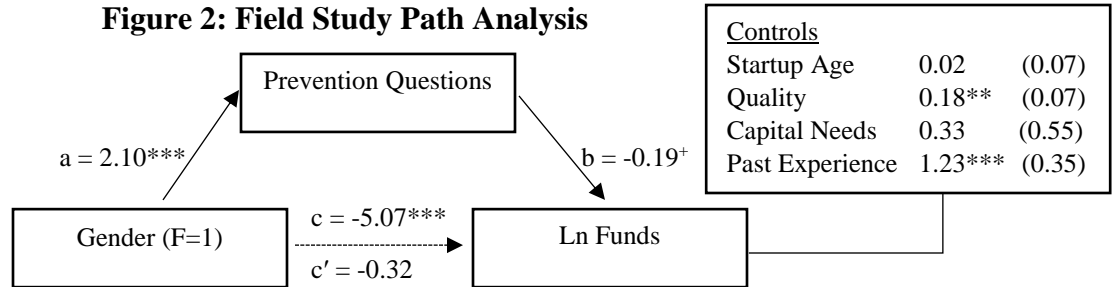
Research has documented gender distinctions in funding outcomes, yet the magnitude of the fundraising gap and its underlying mechanism have been widely contested by scholars, practitioners and policymakers alike. This study helps foster a better understanding of the venture capitalist and entrepreneur dynamic so that key constituents can mitigate the negative consequences of gender bias within the investing process. Our results unearth an important distinction in the types of investor questions asked of entrepreneurs that explains disparities in their respective funding outcomes. We show how this distinction prompts female entrepreneurs to position their startups as *playing not to lose* and male entrepreneurs to position their startups as *playing to win*, perpetuating the gender gap. By calling attention to the role of regulatory focus in Q&A sessions, we give venture capitalists and entrepreneurs the tools to ask and answer

questions for the benefit of their funds and startups, respectively. Over time, small changes in reframing questions and answers can promote gender parity so that the most deserving startups—regardless of whether they are led by men or women—receive the funding they need to thrive. Ultimately, such improvements can have a positive impact on the labor market, enabling female business owners to not only launch their companies but successfully grow their workforces.

**Figure 1: Conceptual Framework**



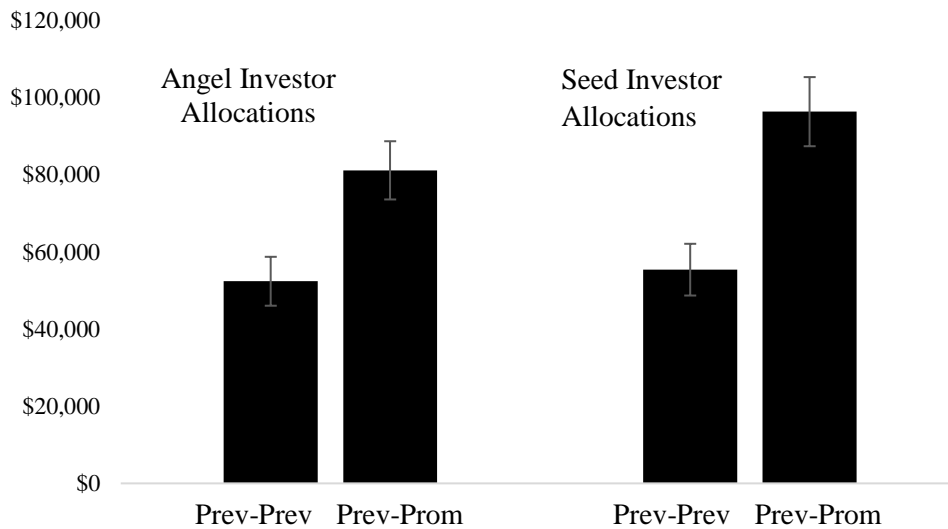
**Figure 2: Field Study Path Analysis**



Indirect Effect = -0.40; SE = 0.23; CI<sub>95</sub> = -1.09, -0.08 (Preacher & Hayes (2004, 2008).

<sup>+</sup> $p < .10$ , \*\* $p < .01$ ; \*\*\* $p < .001$ .

**Figure 3: Experiment Funding Allocations by Condition**



All values significant at  $p < .001$ .

**Table 1: Field Study Sample Descriptive Summary**

Field Summary	
Startups	189
Operating	106
Closed	57
Acquired	24
IPO	2
US Headquartered	165
Raised Funds	151
VC Participation	118
Serial Entrepreneurship	108
Female Entrepreneurs	23
Investors	140
Female Investors	56

**Table 2: Field Study Variable Statistics**

	Mean	SD	2	3	4	5	6	7	8	n
1 Ln Funds	13.85	4.11	0.47***	-0.38***	0.20*	0.20*	0.23*	0.20*	-0.58***	136
2 RF (Promo=1)	0.78	0.41		-0.66***	0.22**	-0.01	0.11	0.11	-0.51***	189
3 Prev Count	3.32	2.18			-0.11	-0.04	-0.12	-0.03	0.51***	189
4 Past Experience	0.65	0.48				0.12	0.07	0.05	-0.07	166
5 Capital Needs	0.77	0.43					0.32***	0.03	0.08	188
6 Quality	5.85	2.73						0.04	-0.03	143
7 Startup Age	5.11	2.88							-0.17*	189
8 Entrep (F=1)	0.12	0.33								189

Notes: Ln Funds = natural log of funding; RF = regulatory focus; Promo = promotion focus; F = female.

\* $p < .05$ ; \*\* $p < .01$ ; \*\*\* $p < .001$ .

**Table 3: Field Study Multiple Linear Regression**

	Natural Log of Funding					
	1	2	3	4	5	6
<b>Regulatory Focus</b>	<b>3.75***</b> (0.62)	<b>3.68***</b> (0.62)	<b>2.85***</b> (0.68)	<b>3.00***</b> (0.68)	<b>4.56***</b> (1.14)	<b>3.22**</b> (1.19)
Startup Age		0.42 <sup>+</sup> (0.22)	0.55* (0.25)	0.50* (0.24)	0.49 (0.32)	0.66* (0.31)
Quality			0.25* (0.10)	0.21* (0.10)	0.05 (0.17)	0.10 (0.16)
Capital Needs				1.67 <sup>+</sup> (0.88)	0.51 (1.64)	0.53 (1.54)
Past Experience					0.12 (0.84)	0.19 (0.78)
Female Entrepreneur						-3.48* (1.35)
Constant	11.09*** (0.55)	10.60*** (0.60)	9.73*** (0.86)	8.41*** (1.03)	9.30*** (2.00)	10.22*** (1.90)
Observations	136	136	110	110	106	106
R <sup>2</sup>	0.21***	0.23***	0.23***	0.27***	0.33**	0.43***

*Robust standard errors clustered by firm in parentheses.*

<sup>+</sup>*p* < .10; \**p* < .05; \*\**p* < .01; \*\*\**p* < .001.

**Appendix A: Regulatory Focus Words**

Promotion Focus				Prevention Focus			
1	Accomplish	15	Improve	28	Accuracy	42	Obligation
2	Achieve	16	Increase	29	Afraid	43	Ought
3	Aspire	17	Momentum	30	Anxious	44	Pain
4	Aspiration	18	Obtain	31	Avoid	45	Prevent
5	Advancement	19	Optimistic	32	Careful	46	Protect
6	Attain	20	Progress	33	Conservative	47	Responsible
7	Desire	21	Promotion	34	Defend	48	Risk
8	Earn	22	Promoting	35	Duty	49	Safety
9	Expand	23	Speed	36	Escape	50	Security
10	Grow	24	Swift	37	Escaping	51	Threat
11	Gain	25	Toward	38	Evade	52	Vigilance
12	Hope	26	Velocity	39	Fail		
13	Hoping	27	Wish	40	Fear		
14	Ideal			41	Loss		

*Gamache et al, 2015.*

## Appendix B: Promotion Codes

Concept	Description	RF Explanation	Example
Customer acquisition	Acquire, obtain, onboard, onboarding process	Gains, growth	<ul style="list-style-type: none"> <li>• “How do you want to acquire customers?”</li> </ul>
Go-to-market strategy	Launch, roll-out, market entry, speed to market, product positioning, branding, advertising, marketing campaign, partnership, distribution plans, approach, building out a base, gain momentum	Gains, speed, momentum	<ul style="list-style-type: none"> <li>• “So, how do you think you’re going to get at this market?”</li> <li>• “I have a question about distribution plans. You obviously are distributing directly through your website. Do you also have plans to go into wholesale?”</li> </ul>
Market opportunity	Addressable market, market size, market demand, market characteristics, target demo, verticals targeted, market potential, geographic expansion, platform extensions, network effects, viral growth, critical mass, home run, eyeballs	Expansion, growth	<ul style="list-style-type: none"> <li>• “Do you think that, that you’re, um, target market is, is a growing market?”</li> <li>• “Are you thinking I guess, geographically? Like, you’ll focus on one country specifically?”</li> </ul>
Assets	IP, intellectual property, differentiation, uniqueness, secret sauce	Ideal state	<ul style="list-style-type: none"> <li>• “Can you talk more about the IP potential here?”</li> </ul>
Self-promotion	Experience, background, genesis, story, your brand, tangible assets, intangible assets	Ideal self	<ul style="list-style-type: none"> <li>• “Can you tell us a little bit about yourself?”</li> <li>• “So why you?”</li> </ul>
Sales	Sales leads & prospects, purchase, business model, buyers, customers, clients, monetization, pitch, pricing, price point, charge, timing of future releases, bookings, commercialization, revenue, top line, conversions, bus dev	Gains, growth	<ul style="list-style-type: none"> <li>• “Can you tell us a little bit about the business model?”</li> <li>• “Do you plan to license the technology?”</li> <li>• “How do you plan to monetize this?”</li> <li>• “What’s the price?”</li> <li>• “Are there any thoughts on scaling up your sales process?”</li> </ul>
Usage	End users, use case, product / feature extensions, value prop	Gains, expansion, progress	<ul style="list-style-type: none"> <li>• “What do you anticipate being the core use case?”</li> <li>• “Do you see the government using this?”</li> </ul>
Vision	Vision, dream, wish, story, inspiration, aspiration, genesis, idea, ideal scenario, plan, ingenuity, desire, end goal, intent, mission	Hopes, ideals and aspirations	<ul style="list-style-type: none"> <li>• “What’s the brand vision?”</li> <li>• “What is your aspiration?”</li> <li>• “And where do you want to get to if everything is fine?”</li> </ul>
Forecast	Growth trajectory, milestones targeted, projections, proposed milestones, forecast, success	Hopes, accomplishments, rewards, advancement	<ul style="list-style-type: none"> <li>• “What major milestones are you targeting for this year?”</li> <li>• “What does success look like?”</li> </ul>

## Appendix B: Prevention Codes

Concept	Description	RF Explanation	Example
Execution	Vetting execution, execution risk, quality control, testing, quality assurance, logistics, process, progress to-date, KPI stats, response time, measurement, device support, integration issues, competence, avoiding careless mistakes, covering all your bases, due diligence, errors, feasibility, friction, impediments, validation	Vigilance, responsibility	<ul style="list-style-type: none"> <li>• “What percentage of the time can people tell it’s fake?”</li> <li>• “Have you Turing tested this?”</li> <li>• “What’s your typical response time?”</li> <li>• “Is this Hudson River water quality?”</li> <li>• “Have you support for four different devices?”</li> <li>• “Do you tie the profiles of customers in your brick and mortar stores to online profiles?”</li> <li>• “How are you doing that sort of data integration? Um, where is that stored?”</li> </ul>
Safety & Security	Disaster recovery, contingency plans, policies and procedures in place, infrastructure, critical business functions, processing capacity, server maintenance	Safety, security, responsibility, protection, rules	<ul style="list-style-type: none"> <li>• “What safeguards do you have against that?”</li> <li>• “Do you feel that the infrastructure is mature enough that, for something as mission critical as security, you can build a whole system on it at this stage?”</li> </ul>
Liability	Consumer privacy, privacy protection, data protection, fraud, legality, regulatory concerns	Oughts, responsibility, rules, protection	<ul style="list-style-type: none"> <li>• “Are you able to share that cross company because of the privacy issues?”</li> <li>• “What are the opportunities for leakage?”</li> </ul>
Competition	Competitive threat, competition, competitors, lost market share, protecting share, copycat threat, defensibility	Losses, defense, threats	<ul style="list-style-type: none"> <li>• “Can you talk a little bit about the competitive environment?”</li> <li>• “But Foursquare already announced they're gonna bring their badges web-wide”</li> </ul>
Operating Efficiency	Cost, cost effectiveness, saving money, monthly overhead, margins, EBITDA, operating income, bottom line, break-even, cost savings, cost per user, cheaper, bootstrapping, unit economics, CPA	Losses, security	<ul style="list-style-type: none"> <li>• “The \$299, does that build in a margin? Or do you – Is that like, costs, or do you make a margin on that?”</li> <li>• “How long will it take you to break even?”</li> </ul>
Customer retention	Not losing customers, retain, retention rates, turnover, attrition, DAUs/MAUs, stickiness, time spent on site/in app, engagement	Losses, protection	<ul style="list-style-type: none"> <li>• “Are people coming back?”</li> <li>• “How long do they stay?”</li> <li>• “How many daily and monthly active users do you have?”</li> </ul>
Team Capabilities	Vetting the team background, outsourcing, in-house, internal skill set, offshore, dev capabilities, backend support	Vigilance, checking	<ul style="list-style-type: none"> <li>• “How much of this are you actually doing in-house?”</li> <li>• “What’s the background of the rest of the team, why are those guys best positioned to try to solve this?”</li> <li>• “Who can code?”</li> </ul>

**Appendix C:  
Experiment “Most Funded” vs. “Lead Funded” Commentary**

Why did you allocate the highest amount of your funding to this startup?	Why did you allocate the least amount of your funding to this startup?
<ol style="list-style-type: none"> <li>1. “The speaker for [Promotion-Promotion Condition] sounded extremely competent, knowledgeable, and prepared compared to the other speakers. I was actually amazed after listening to the rest of them how ill-prepared some of them sounded. I would definitely trust the founders to launch a successful product.”</li> <li>2. “[Promotion-Promotion Condition] sounded very convincing that they will be successful and make good profits.”</li> <li>3. “I think it had the best potential for growth and for widespread use.”</li> <li>4. “The fact that it had the best looking future and largest target audience. More people can use it and the prospects sounded very positive.”</li> <li>5. “They had a long term vision and were working towards it.”</li> <li>6. “The enthusiasm of the person asking questions, the ability of the person to answer those questions and make a reasonable case for the likelihood of success, and the hints that there was already substantial progress towards finding customers.”</li> <li>7. “The project has a good target market, good pricing procedure, good distribution ideas, good experience, well-thought out plan.”</li> <li>8. “I think this project had the most potential to make a lot of money”</li> <li>9. “I think [Promotion-Promotion Condition] is the most interesting and most likely to succeed.”</li> <li>10. “I really liked [Promotion-Promotion Condition] the best because I think it had the most opportunity for growth. The market was essentially limitless, and already being used. It's simple enough for multiuse, and has a very strong team behind it. Their product is not only ready for market, but right there, and I predict it will grow well.”</li> <li>11. “It seemed ready to go and also ready to attack a huge market.”</li> <li>12. “I think the [Promotion-Promotion Condition] is what most people will be wanting today.”</li> </ol>	<ol style="list-style-type: none"> <li>1. “[Prevention-Prevention Condition] was not so convincing in his answers. There was some hesitation so I didn't feel very confident in this particular project.”</li> <li>2. “There seemed to be a lack of confidence at times. They also had a long ways to go with some of the issues that were brought up.”</li> <li>3. “They did not seem ready nor fully confident.”</li> <li>4. “It has many issues that need to be solved, both technical and marketing wise. Too much chance for competition from established companies.”</li> <li>5. “The speaker didn't really seem sure of herself at times which didn't give me a great feeling about it.”</li> <li>6. “Nothing they said seemed visionary and I didn't see much of a way of return on investment. It's just crowd sourcing data essentially. I didn't see the chance to scale and more importantly didn't see the chance to make a lot of money.”</li> <li>7. “The feasibility of the project and the technical issues came into play.”</li> <li>8. “Seems to have a lot of barriers and doesn't really know if their product will take off.”</li> <li>9. “The women just didn't seem like she could focus very well on the discussion and made me doubt the whole project.”</li> <li>10. “This project seems too complicated and has not been tested so it is riskier.”</li> <li>11. “The project that I gave the least to was the project whose goals I understood the least, and, who, from what I understood, would have the most technical hurdles to get over.”</li> <li>12. “It's something that is highly risky, in my opinion, because it requires a lot of data input, and trusting a lot of people to do good work.”</li> <li>13. “It seemed further away from being able to make money and seemed like a lot of hurdles needed to be jumped.”</li> <li>14. “Seemed like it had many road blocks and like it would run into problems.”</li> </ol>

<p>13. "I could see the product as being something useful and actually having a market."</p> <p>14. "Very smooth presentation with a clear idea of what their idea was, how it was going to be used and implemented and a clear plan on why it will work."</p> <p>15. "Seemed the most steady and probably business model to succeed."</p> <p>16. "The person had a strong plan for an area that I think is the wave of the future."</p> <p>17. "After hearing all of the choices I think [Promotion-Promotion Condition] sounded like it had the highest future scaling. Also they really knew about their product, market, and other businesses. Sounded like it had the most potential so I really upped my money for that one."</p> <p>18. "The core concept of the project and the industry that it's directed at seemed like a more ready project that will deliver returns sooner than the other projects."</p> <p>19. "[Promotion-Promotion Condition] seems like it has the best odds of success because it seemed to be the most useful and had a solid plan laid out."</p> <p>20. "I felt that confident answers were given, and that the market was well defined."</p> <p>21. "I was influenced by how successful I thought the project would be, how innovative I thought it was, and whether I thought it could be a potential game-changer."</p>	<p>15. "Too much needed to be developed and overcome before it could really see any income. I honestly can see it failing in the long run."</p> <p>16. "Lack of detail with dealing with potential problems."</p> <p>17. "Sounded completely unprepared -- they acknowledged issues without offering solutions, and offered excuses instead of workarounds for problems."</p> <p>18. "It seemed as if security and retrieving data might be a problem in the future and it has not yet been developed to that point. The presenter didn't seem to be concerned about it, but I think users would be."</p> <p>19. "It had some very high hurdles to cross and put a large burden on the merchants."</p> <p>20. "I felt it wasn't as innovative as the others and wouldn't have as wide an appeal."</p> <p>21. "She talked about still being in a lot of R&amp;D phase where they have some issues they still have to iron out."</p> <p>22. "Too many problems with the product and how they were be able to integrate it."</p> <p>23. "There were too many issues to fix with them."</p> <p>24. "Not a very large market, technical issues in the development and implementation."</p> <p>25. "Seemed pretty unorganized and inefficient. This will cost a lot of time and money."</p>
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## CHAPTER 2

### The Motivation of Mission Statements: How Regulatory Mode Influences Workplace

#### Discrimination

#### ABSTRACT

Despite concerted efforts to enforce ethical standards, transgressions continue to plague US corporations. This paper investigates whether the way in which an organization pursues its goals can influence ethical violations, manifested as involvement in discrimination. We test this hypothesis among franchises, which employ a considerable amount of low-income workers adversely affected by discrimination. Drawing upon Regulatory Mode Theory, we perform a linguistic analysis of franchise mission statements to determine their degree of *locomotion* and *assessment* language. EEOC archival data for the past decade reveals that regulatory mode predicts franchise involvement in discrimination. Discriminatory behavior is associated with franchises whose mission statements motivate employees to embrace urgent action (locomotion mode) over thoughtful consideration (assessment mode). Two experiments demonstrate that participants exposed to high locomotion mission statements tend to disregard ethical standards due to their need for expediency, making significantly more discriminatory managerial decisions than those exposed to high assessment mission statements.

**Keywords:** regulatory mode theory; locomotion; assessment; ethical standards; workplace discrimination; mission statements; linguistic analysis; regulatory mode dictionary; archival study; experiment

Chapter 2 reflects the work of Kanze, D., Conley, M. A., & Higgins, E. T. (*Organizational Behavior and Human Decision Processes*, in press).

## INTRODUCTION

In 2016, Casey Crothers worked as a stocker for 7-Eleven in Oklahoma. When his doctor placed him on short-term work restrictions due to a disability, Crothers asked for temporary transfer to a position that met his restrictions. 7-Eleven told Crothers that because his restrictions were not related to an on-the-job injury, the company was not required to accommodate him. 7-Eleven then fired Crothers because he was going to miss more than three days of work. The US Equal Employment Opportunity Commission “EEOC” filed a discrimination lawsuit against 7-Eleven Stores on Friday, September 30, 2016. But 7-Eleven already had a code of ethics encompassing nondiscrimination standards in place at that time. Why do franchises like 7-Eleven continue to commit EEOC violations, despite their familiarity with ethical standards of conduct?

Organizations have made a concerted effort to reduce workplace discrimination, defined as denying equal treatment of employees based on group membership (Allport, 1954). Since 2010, the percentage of US companies with nondiscrimination policies in place has grown from approximately 70% to an estimated 90% today ([www.americanprogress.org](http://www.americanprogress.org)). During this time frame, the EEOC has launched initiatives like E-RACE, LEAD, Youth@Work and ADR to enhance awareness, identify contributing factors and facilitate resolution. Despite private and public sector reforms, annual discrimination cases have increased 37% over the past decade to 99,109 resolutions during 2017, while retaliation charges are 110% higher than they were in 2007 ([www.eeoc.gov](http://www.eeoc.gov)).

According to the EEOC, employers paid \$506 million in monetary benefits to victims of discrimination across private, state, and local government, and federal workplaces last year. Aside from this direct cash disbursement of benefits—as well as separate medical care, emotional damages and counsel fees to the victims—companies must contend with the indirect

consequences of discrimination violations, such as lost productivity, decreased morale, tarnished reputation, diminished retention, deteriorated service and product quality, as well as increased recruiting and severance costs (Baumann-Pauly & Posner, 2016; Nygaard & Biong, 2010; Paludi, DeSouza & Paludi Jr, 2010). The Level Playing Institute has estimated that the employer cost of workplace discrimination due to employee turnover alone is \$64 billion a year (Burns, 2012).

Policymakers, media outlets and academic researchers continue to document both the prevalence and detrimental consequences of workplace discrimination related to hiring, firing, promotion, harassment, training, wages and benefits (Triana, Jayasinghe & Pieper, 2015). Economists and sociologists have focused on its implications for employers and the labor market (Becker, 2010; Lang & Lehmann, 2012), while organizational psychologists and public health scholars have examined how discrimination erodes employee well-being (Deitch, Barsky, Butz, Chan, Brief & Bradley, 2003; Williams, Neighbors & Jackson, 2003). Aside from quantifying the extent and effects of discrimination, academics across disciplines have also sought to understand its antecedents (Dipboye & Colella, 2013).

In terms of the literature on predicting discrimination, there appear to be several prominent streams examining the cognitive, affective and social influences on the perpetrators (Dovidio, Gaertner, Kawakami & Hodson, 2002; Lai & Babcock, 2013), the victims (Aquino & Bommer, 2003; Barbulescu & Bidwell, 2013) and the companies for which they work (Ashforth & Anand, 2003; Brown & Treviño, 2006; Cortina, 2008; Harris & Bromiley, 2007; Mayer, Kuenzi & Greenbaum, 2010; Ordóñez, Schweitzer, Galinsky & Bazerman, 2009). This third stream of predictive research has primarily been concerned with the efficacy of deliberate policies that corporations undertake to *inhibit* discrimination (Castilla, 2015; Day & Schoenrade,

2000; McKay, Avery, Liao & Morris, 2011; Ragins & Cornwell, 2001) but work in the tradition of bounded ethicality (Sezer, Gino & Bazerman, 2015) has not exhaustively explored the unintended consequences of leadership choices that may *enable* discrimination (Dipboye & Colella, 2005; Ghosh, 2008; Gino & Margolis, 2011; Green, 2003; Moore & Gino, 2013).

Our study examines how decisions undertaken by an organization's leadership, operationalized in the language of corporate mission statements, can supersede intentional nondiscriminatory policies instituted by organizations. Mission statements help align the day-to-day decision-making processes of an organization around a common goal, guiding employees as to which goals to pursue and how to pursue them (Ledford, Wendenhof & Strahley, 1995). We examine how these motivational messages shape workplace discrimination outcomes by applying a social psychological theory of the goal pursuit process known as Regulatory Mode Theory "RMT" (Higgins, Kruglanski & Pierro, 2003; Kruglanski, Thompson, Higgins, Atash, Pierro, Shah & Spiegel, 2000). According to RMT, individuals can be motivated to pursue goals in several ways; more specifically, the goal pursuit process involves two distinct functions of self-regulation—locomotion and assessment—that relate to concerns for exerting control and for establishing truth, respectively (Higgins, 2012; Kruglanski et al, 2000).<sup>21</sup>

Locomotion is concerned with effecting change by managing smooth, uninterrupted movement, whereas assessment is concerned with making the right choices by critically evaluating and comparing goal options and the plans for achieving them (Chen, Rossignac-Milon

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<sup>21</sup> Locomotion and assessment can be studied as chronic individual dispositions measured using a 30-item questionnaire (Kruglanski et al 2000) but each mode can also be situationally induced (Avnet & Higgins, 2003). In this paper, we are interested in the effects of organizationally-induced regulatory mode, above and beyond an employee population's heterogeneous regulatory mode dispositions. As such, we explore the impact of locomotion and assessment on central workplace outcomes using situational inductions of these independent states. We test situational RM predictions by observing the effects of organizational primes through mission statements in the archival study, then by manipulating organizational primes through mission statements in the experimental study.

& Higgins, 2018; Kruglanski et al, 2000). In light of their concerns for establishing the truth of a given matter, individuals in assessment mode should be willing to dedicate the requisite time and effort to fully consider nondiscriminatory policies and other ethical standards (Gino, Schweitzer, Mead & Ariely, 2011). Due to their concerns for controlling exactly what happens as quickly as possible, those in locomotion mode do not want to “waste time” (Kruglanski, Pierro & Higgins, 2016) by devoting attention to a firm’s nondiscriminatory policies and ethical standards (Kruglanski, Pierro, Mannetti & Higgins, 2013). Given this distinction in goal pursuit concerns, we predict that managers in high (*vs. low*) locomotion mode—motivated to pursue goals by taking urgent action—are more likely to engage in discrimination by disregarding ethical standards, whereas those in high (*vs. low*) assessment mode—motivated to pursue goals with thoughtful consideration—are less likely to do so.

In support of our predictions involving goal pursuit and ethical behavior, we set out to observe and then manipulate mission statements as a reliable and widely disseminated expression of an organization’s goal pursuit, and we chose to examine EEOC violations as an important, unambiguous, and generalizable manifestation of unethical behavior. We investigated our predictions via an archival study and an experiment, both of which focused on discrimination perpetrated by franchises. These large national chains have a significant labor market impact, employing over 6% of the workers in the US labor force (Franchise Business Economic Outlook, 2017). Using the EEOC’s publicly available repository of litigation settlements for the full ten-year period from Q4 2007 through Q3 2017, we identified 148 US franchises accused of workplace discrimination, which contributed 14% of the total EEOC-enforced suits during the past ten years. When linguistically analyzing the mission statements of these franchises against the 411 franchises in Entrepreneur Magazine’s 2017 Top Franchise List that were not accused of

discrimination, we discovered that discriminating franchises exhibited a significantly higher frequency of locomotion words and lower frequency of assessment words. In fact, we found that the predominant regulatory mode (locomotion minus assessment frequencies) score of a franchise mission statement predicted both the franchise's likelihood to engage in discrimination and the frequency with which the franchise discriminated.

To complement the archival study's correlational findings, we conducted an experiment that uncovered a causal relationship between the regulatory mode of franchise mission statements and discriminatory decisions. Using actual franchise scenarios from real-world EEOC violations, we instructed participants to act as managers of franchises with randomly assigned mission statements either high in locomotion (no assessment) or high in assessment (no locomotion) wording. Our experiment demonstrated that participants exposed to mission statements high in locomotion (no assessment) were significantly more likely to make managerial decisions that violated EEOC discrimination policies than those high in assessment (no locomotion); furthermore, they engaged in a significantly higher number of discriminatory acts. This result was particularly striking, considering the fact that the vast majority of participants confirmed they had prior knowledge of workplace nondiscrimination policies. Lastly, we went on to find that the relationship between regulatory mode and discriminatory behavior was mediated by participants' consideration of ethical standards.

Across both studies, we identified a tension between employers' explicit nondiscrimination policies and the implicit influence of motivational messaging expressed in their mission statements, which serves to perpetuate workplace discrimination in the face of ongoing ethical reform and best efforts. As companies employ more workers over time, they probabilistically increase their exposure to employment discrimination lawsuits. However, our

results suggest a way in which companies can grow conscientiously and reduce their vulnerability. These findings inform the literature that lies at the intersection of organizational ethics, motivation, and decision making, while presenting practical implications for corporate managers.

Although scholars have explored the relationship between regulatory mode and individual- and group-level outcomes like risk-taking (Panno, Lauriola & Pierro, 2015), time management (Amato, Pierro, Chirumbolo & Pica, 2014), multi-tasking (Pierro, Giacomantonio, Pica, Kruglanski & Higgins, 2013), leadership styles (Kruglanski, Pierro & Higgins, 2007) and social support (Cavallo, Zee & Higgins, 2016), “the extent to which regulatory mode influences organizational phenomena is mostly unknown at this point” (Bélanger, Pierro, Kruglanski, Vallerand, De Carlo & Falco, 2015, p. 326). Likewise, mission statements have been analyzed to determine their influence on a number of corporate outcomes, including financial performance and stakeholder management (Bart, Bontis & Taggar, 2001; Bartkus & Glassman, 2008), but scholars have not extensively studied their impact on ethical considerations and discrimination. Separately, research on goals has investigated the ethical ramifications of goal *setting* (Barsky, 2008; Ordóñez et al, 2009; Schweitzer, Ordóñez & Douma, 2004) and goal *orientation* (promotion *vs.* prevention, per Gino & Margolis, 2011), but not goal *pursuit*.

Perhaps most importantly, the business ethics literature has demonstrated that attention to ethical standards can promote ethical behavior (Lau, 2010), but less is known about the specific motivational factors that influence whether or not employees pay attention to those standards when making decisions. By examining the motivation to consider ethical standards via inductions as subtle and pervasive as the regulatory mode of corporate mission statements, we help fill this void in the literature. Notably, we observe the impact of ethical standard

considerations on workplace discrimination, the most prevalent type of ethical misconduct (National Business Ethics Survey of the U.S. Workforce, 2014). Applications of this work can answer recent calls for understated, research-based interventions addressing organizational triggers of unethical behavior (Moore & Gino, 2013, 2015) that stand to benefit marginalized populations (Leana, Mittal & Stiehl, 2012) adversely affected by workplace discrimination.

## **THEORETICAL DEVELOPMENT**

### **Mission Statements and Decision-Making Behaviors**

The mission statement—defined as “an enduring statement of purpose that distinguishes one organization from other similar enterprises” (David, 1989, p. 90)—has been linked to a variety of decision-making behaviors, including human and other resource allocation decisions (Ireland & Hitt, 1992; King & Cleland, 1979). Inherent in mission statements is the intention to “motivate (and in so doing, control) the behaviors of organizational members toward common organizational goals” (Bart, Bontis & Taggar, 2001, p. 19). In fact, Bart and colleagues demonstrate that mission statements’ influence on employee behavior exerts the strongest direct impact on organizational performance, serving as a key mediating element. Cortina (2008) connects mission statements to ethical decision making, highlighting the benefits of “proactive, preventative, and educational approaches” and specifying that “senior management can model appropriate, respectful workplace behavior and clearly state expectations of civility in mission statements and policy manuals” (Cortina, 2008, p. 71).

Similarly, Bartkus and Glassman (2008) find that diversity-related mentions in mission statements are associated with corresponding diversity-minded behaviors. Likewise, Bart’s 75-organization study reveals that the very presence of mission statement language with regard to “behavioral standards” correlates with actual practice of these behaviors (Bart, 1996a; Bart &

Taggar, 1998). As such, Dobbin and Kalev (2015) note that affirmative action plans have effectively been supplanted over the past several decades by diversity-oriented mission statements in the push for ethical reforms such as equal opportunity. Although scholars have shown that mission statements can explicitly motivate a variety of individual behaviors enacted by management—including those deliberately designed to promote ethical behavior—less attention has been devoted to implicit motivational factors in the organizational environment (see Banaji, Bazerman & Chugh, 2003; Haidt, 2007; Kouchaki, Smith-Crowe, Brief & Sousa, 2013 for exception). Specifically absent is an investigation into the inadvertent enabling (*vs.* disabling) effect of corporations' primary (*non-diversity oriented*) mission statements on unethical decision making in the form of discriminatory behavior (Dipboye & Colella, 2005).

### **Antecedents of Discriminatory Behavior**

Our studies explore how the language of these mission statements can exert a significant influence on individual employee cognition, motivating (*compelling vs. dissuading*) the consideration of ethical standards that affect discriminatory decision making. In doing so, we build on extant literature that explores the social psychological mechanisms underlying discrimination, namely joint cognitive and motivational research in this area of study that investigates both contextual and individual factors related to goal motivation (Fiske, 2000). Where “generations of researchers have alternated individual versus contextual levels of analysis” (Fiske, 2000, p. 300), our work demonstrates the process by which a contextual force, exerted at the organizational level, can motivate individual behavior.<sup>22</sup> As Fiske (2000, p. 303) goes on to note, such “...immediate social contexts do shape individual responses to individual

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<sup>22</sup> In this case, mission statement language serves as the contextual force that motivates decision-making behavior, per Moore & Gino (2013, p. 63): “...language signals how a decision ought to be understood, which in turn changes the appropriate choice in that particular context.”

outgroup members” to “influence an individual’s stereotyping, prejudice and discrimination.”

This “cognitive-motivational” approach recognizes that behavioral responses are goal dependent, with goals either emphasizing variations of decisiveness or accuracy (Fiske, 2000; Kruglanski & Webster, 1996; Snyder, 1992; Goodwin, Gubin, Fiske & Yzerbyt, 2000). In effect, accuracy becomes subservient to stereotypical and simplistic judgments that serve as precursors to discrimination when the perception of excessive time constraints and the concern for decisiveness are present (Dijker & Koomen, 1996; Fiske, 2000; Kruglanski & Webster, 1996; Neuberg & Newsom, 1993). We explore how locomotion and assessment concerns reflected in an organization’s mission statement can differentially emphasize urgency versus accuracy motivations that impact discriminatory behavior through the regard for the organization’s ethical standards.

### **Regulatory Mode and Ethical Standards**

Behavior that is aligned with ethical standards, such as an organization’s nondiscrimination policies, requires a willingness to exert time and effort (Gino et al, 2011; Shalvi, Eldar & Bereby-Meyer, 2012). This requirement represents a marked distinction along the functional dimensions of locomotion and assessment according to RMT (Higgins et al, 2003; Kruglanski et al, 2000). As locomotion favors urgent action where assessment favors thoughtful consideration, these divergent concerns should influence the extent to which individuals attend to ethical standards. Per RMT, individuals in assessment mode are compelled to find the truth of a given matter at hand, a motivation that prompts them to expend the requisite time and effort to sufficiently consider alternatives before making any given decision. Conversely, RMT dictates that individuals in locomotion mode are compelled to control what happens as smoothly and swiftly as possible when making any given decision, dissuading them from investing the time

and effort required to consider all alternatives.

Previous research has demonstrated that the allocation of time and effort is crucial for individuals to follow ethical standards pertaining to such acts as dishonesty (Kern & Chugh, 2009; Shalvi et al, 2012), cheating (Gino et al, 2011), and bystander intervention (Darley & Batson, 1973). Gino and colleagues (2011) discovered that depleted participants were unable to exert the requisite effort to resist the temptation to impulsively cheat. Darley and Batson (1973) found that manipulated “hurriedness” induced time-pressed participants to literally step over needy victims on their way to deliver a Good Samaritan sermon. Other experiments have similarly shown that time constraints contribute to a reliance upon stereotypes and belief biases, which serve as precursors to discriminatory behavior (Dijker & Koomen, 1996; Evans & Curtis-Holmes, 2005).

One experiment revealed that participants who made swift punishment decisions (within seconds) were biased towards punishing outgroup members, whereas those who engaged in rational deliberation (reflecting on the decision) were unbiased in their punishment (Yudkin, Rothmund, Twardawski, Thalla & Van Bavel, 2016). Similarly, Moore and Tenbrunsel (2014) found a positive relationship between reasoning (embraced by those in assessment mode) and moral decision making. As locomotive goal pursuit induces urgent action, those concerned with locomotion are likely averse to consideration-related delays and motivated to make decisions as swiftly as possible (Higgins et al, 2003; Kruglanski et al, 2000; Kruglanski et al, 2016; Mauro, Pierro, Mannetti, Higgins & Kruglanski, 2009). In such haste, individuals in locomotion mode may succeed in saving time, but their sense of urgency can also leave them vulnerable to violating codes of ethics.

In contrast, the desire for expediency—proceeding with minimal time, effort, and

difficulty<sup>23</sup>—is not important to those in assessment mode, so assessors are not similarly susceptible to committing such code violations (Amato et al, 2014; Kruglanski et al, 2016). Concerned with doing things correctly, individuals engaged in assessing focus on making the right choice rather than a fast one, patiently and thoroughly reflecting upon a variety of factors (such as ethical rules) involved in a given decision (Kruglanski et al, 2000; Mauro et al, 2009). In fact, neuroimaging studies reveal that temporal discounting is negatively correlated with assessment but positively correlated with locomotion, another indication that assessors and locomotors differ along the dimension of time sensitivity (Guo & Feng, 2015; Kruglanski et al, 2016). Consistent with time pressure experiments, assessors have also been established to be better helpers than locomotors, taking the time and effort to tailor their social support to meet others' specific needs (Cavallo et al, 2016). It is no surprise that impulsivity—or the tendency to act without prior reflection or thought—has conversely been linked to unethical corporate conduct and the diminished ability to identify ethical dilemmas (Kelly & Worrell, 1978; Mowchan, Lowe & Reckers, 2015).

The practice of broadly evaluating alternatives before acting has also been tied to more ethical decision-making behavior (Rokeach, 1951; Schurr, Ritov, Kareev & Avrahami, 2012). When deliberating among various options, those in assessment mode consider the potential consequences of alternative avenues before pursuing a given course of action (Higgins et al, 2003; Kruglanski et al, 2000; Kruglanski, Orehek, Higgins, Pierro & Shalev, 2010). Where assessors compare themselves and their decisions to alternative standards (Kruglanski et al, 2000) and display sensitivity to any discrepancies from those standards (Higgins et al, 2003; Kruglanski et al, 2000), locomotors do not engage in self-evaluation or consider their degree of

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<sup>23</sup> Also see Oxford Dictionary for expedient: (of an action) convenient and practical (involving little time and effort).

alignment with standards. In fact, locomotors possess a strong desire to manage what happens without surrendering control to any external entity, lacking sensitivity to the social norms that are observed by assessors (Kruglanski et al, 2013).

In order to control their environments and essentially “just get on with it,” individuals in locomotion mode perceive ancillary considerations as obstacles in their way (Cornwell, Franks & Higgins, 2014; Higgins, 2012). An organization’s nondiscrimination rules may represent impediments to taking urgent action and not wasting time. In contrast, those in assessment mode welcome the opportunity to consider the aspect of their decision-making processes relating to ethical best practices so they can arrive at the right choice in their tireless pursuit of the truth. As such, we expect the following distinct associations that reflect two separate and opposing forces affecting discriminatory behavior:

*Hypothesis 1a. Discriminatory behavior is associated with stronger locomotion concerns.*  
*Hypothesis 1b. Nondiscriminatory behavior is associated with stronger assessment concerns.*

Prior studies have demonstrated that increasing attention to standards for ethical behavior (Dobbin & Kalev, 2015; Lau 2010; Mazar, Amir & Ariely, 2008) and considering the moral implications of an act (Wright, 1995) enhance the likelihood to behave ethically. The aforementioned research collectively points to a tendency of assessors but not locomotors to consider the ethical codes of conduct dictated by a given entity. Taken together, we reason that the differential degree of ethical standard considerations induced by locomotion and assessment concerns will significantly predict the decision to discriminate by violating EEOC regulations. Ethical standard consideration thus emerges as a potential mechanism through which discrimination behavior is high for locomotors relative to assessors.<sup>24</sup>

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<sup>24</sup> Similarly, yet distinctly, a shift in moral standards (vs. consideration of them here) was found to mediate the relationship between financial deprivation and moral conduct (Sharma, Mazar, Alter & Ariely, 2014).

We delve one step further to explore the relationship between patient effort and thoughtful consideration as factors contributing to ethical behavior. Ethics research suggests that the degree of perceived expediency can significantly inhibit ethical decision making due to the lack of time and effort expended. The RMT research allows us to link locomotion to both a concern for expediency and a lack of consideration for such standards as ethics, with the opposite association holding for assessment. These collective literatures point to the fact that a locomotive (over assessor) mode will increase the extent to which expediency is a factor in a given decision, which will decrease the extent to which ethical standards are considered in that decision, thus increasing discriminatory behavior:

*Hypothesis 2a. The consideration of ethical standards will mediate the relationship between regulatory mode concerns and discriminatory behavior.*

*Hypothesis 2b. The relationship between regulatory mode concerns and discriminatory behavior will be mediated by a serial relationship between perceived expediency and ethical standard considerations.*

As locomotion and assessment are independent and orthogonal, an individual in a given situation can be strongly or weakly concerned with both or strongly concerned with one and weakly concerned with the other (Kruglanski et al, 2000). We theorize that these motivations work in opposition to one another with regards to discrimination. In other words, similar goal pursuit intensities can serve to neutralize discriminatory proclivities within an organization and its organizationally-induced employees. For instance, a high degree of locomotion can augment discrimination, while a high degree of assessment can simultaneously attenuate discrimination—cancelling one another—with a similar end result for low locomotion and low assessment. For this reason, we expect that the most pronounced discrimination lies at the extreme combination of high locomotion and low assessment.

As in this case where locomotion and assessment are expected to influence preferences and choices in opposing directions, research has tested hypotheses by creating an index of

difference scores (Camacho, Higgins & Luger, 2003; Cesario & Higgins, 2008; Molden & Higgins, 2004). Predominant locomotion mode has been computed by subtracting assessment from locomotion scores (Higgins, Pierro & Kruglanski, 2008; Orehek, Mauro, Kruglanski & van der Bles, 2012; Webb, Coleman, Tomasulo, Rossignac-Millon & Higgins, 2017). We hypothesize that higher positive values on this index—characterized by greater locomotion than assessment scores—will increase the likelihood of discrimination. In such imbalanced cases, expediency prevails over patient effort, resulting in a disregard for nondiscrimination policies and other ethical standards.

Even after a company has already been disciplined for discriminating, locomotors (but not assessors) will be inclined to continue making discriminatory decisions. Although the probability of being caught and penalized dissuades most individuals from engaging in unethical behavior (Buckley, Wiese & Harvey, 1998), those induced into locomotion will likely continue to disregard both the rules of conduct and the consequences of their actions—seeking to make the expedient choice. The opposite is true for thoughtful and thorough assessors (Kruglanski et al, 2000; Panno et al, 2015) who are likely to consider the ramifications of their actions even more deeply after becoming aware of an initial violation—having made the wrong choice (Chen et al, 2018). Such concerns will thus prevent those in a locomotive but not assessor mode from considering the unique ethical needs of subsequent situations. Therefore, predominant regulatory mode will not only predict the likelihood but also the frequency of discrimination:

*Hypothesis 3a. Regulatory mode predominance (Locomotion – Assessment) predicts the likelihood to engage in discriminatory behavior.*

*Hypothesis 3b. Regulatory mode predominance (Locomotion – Assessment) predicts the frequency of discriminatory behavior.*

## **EMPIRICAL APPROACH**

In an effort to test these hypotheses concerning the influence of regulatory mode on discriminatory behavior, we employed a multi-method approach utilizing data obtained from both an archival study and series of controlled experiments. The first study is correlational, determining whether there is evidence of a relationship between motivational language in franchise mission statements and franchise involvement in EEOC discrimination settlements. Despite the archival study's ability to identify patterns of franchise discrimination, this field data cannot confirm whether there is a true causal relationship between motivational messaging and discrimination behavior. As such, our second and third study rely upon a controlled environment to experimentally test the direct impact of franchise mission statements on immediate managerial decisions to discriminate. Notably, our studies examine EEOC discrimination as but one manifestation of unethical behavior that we predict is influenced by regulatory mode. We elaborate on the key empirical reasons to examine EEOC discrimination as emblematic of unethical decision making, given its importance, lack of ambiguity, and high degree of generalizability.

### **Discriminatory Behavior as Manifestation of Ethical Misconduct**

A recent study by the Ethics Resource Center or "ERC" reveals EEOC discrimination constitutes the most common type of ethical misconduct in the workplace, with the top five types encompassing: 1) abusive behavior (including legally-protected abuse like EEOC Discrimination and non-legally protected like bullying), 2) lying to employees, 3) conflicts of interest, 4) violations of company Internet policies, and 5) violations of health or safety regulations. Not only is this type of misconduct common, but it is also one of the most likely to be ongoing and frequent in nature (National Business Ethics Survey of the U.S. Workforce, 2014). Of the five

most prevalent types of ethical misconduct that emerge in the ERC study, legally-protected abusive behavior is perhaps the least disputable and most readily observable form of ethical misconduct. Many of the other types operate in a grey area; they are not readily tracked and reported, nor are all their cases definitively confirmed as violating ethical standards by a court of law.

The archival data we use is comprised of actual suits filed by the EEOC in US district court against employers and associated with settled litigation, offering incontrovertible evidence of ethical standard violations key to our hypotheses. Other types of ethical misconduct lack a high volume of consistent and definitive longitudinal records of annual cases and their crucial details that are accessible in the EEOC archives. Nondiscrimination cases are not only well documented, but their policies are widely adopted and readily available in employee handbooks, business' "Code of Conduct," on employers' websites, and in career and diversity-related materials. As such, workplace discrimination satisfies our empirical conditions of a) the dissemination of ethical standards to employees and b) the unambiguous and observable decisions of employees that violate those standards. Lastly, discrimination is reliably observed by a consistent source (the EEOC) to affect both white and blue collar workers employed by companies both large and small operating across a multitude of industry types throughout all US states over time—a generalizable form of ethical misconduct.

### **STUDY 1: ARCHIVAL STUDY**

For our first study, we explored how franchises' involvement in discrimination is influenced by their motivational messaging, operationalized as franchise mission statements. In doing so, we utilized all available EEOC litigation settlement data drawn over a period of the most recent ten years (Q4 2007 – Q3 2017) and then obtained publicly available information

from company and industry websites for the franchise mission statements and set of controls. As such, all analyses and results are nested at the firm (aka franchise) level.

## **Empirical Setting**

We examined discriminatory behavior perpetrated by franchises, which involve “a manufacturer or marketer of a product or service (‘franchisor’) that grants exclusive rights to local, independent entrepreneurs (‘franchisees’) to conduct business in a prescribed manner in a certain place over a specified period” (Preble & Hoffman, 1999, p. 240). US franchises are particularly vulnerable to employment discrimination, given the significant amount of workers they employ (Preble & Hoffman, 1999), estimated at 8.9 million as of 2017 (Washington Post, 2017). As the franchise industry is a driver of overall US employment growth—with a 3.4% increase since 2012 that has outpaced overall job market growth—discrimination activity in this sector hinders otherwise healthy job market potential (dol.gov).

According to the Franchise Business Economic Outlook (2017), these franchise workers yield \$890 billion of economic output for the US economy, accounting for three percent of private sector GDP. In addition to the sheer volume of employees and employee output at risk, franchise locations are spread out across a vast footprint that affects the majority of US states. Given their geographic breadth of coverage, franchises offer the opportunity to disentangle the antecedents of discrimination from any variance in state-specific protections<sup>25</sup>. Likewise, franchises serve 100 unique business categories across 11 industry classifications. Franchise discrimination touches all areas of the US nation and economy, thereby ameliorating concerns related to geographic and industry concentration (franchise.org).

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<sup>25</sup> Welch’s t-tests reveal no significant differences in the distribution of our discriminating vs. non-discriminating franchise samples with regards to franchise coverage of states identified as “weak” vs. “good” and “strong” by the Center for American Progress Action Fund (2012), which identifies the degree of protection against workplace discrimination at state, as opposed to federal, discretion (e.g. sexual orientation, gender identity).

The franchise industry serves as a strategic setting to examine discrimination due not only to the *number* of workers they employ but the *composition* of those workers. Per the inverse hazard law, evidence points to entry and other low-level workers being susceptible as targets of discrimination (Krieger, Kaddour, Koenen, Kosheleva, Chen, Waterman & Barbeau, 2010). Since franchises employ a higher percentage of minimal wage workers than non-franchised employers, it is no surprise that a considerable portion of EEOC settlements involve franchises (Employment Policies Institute, 2016). According to EEOC District Director Spencer H. Lewis, Jr., the consequences of discrimination are particularly stark for these lower-tier employees who risk relegation to the ranks of the unemployed and stand to dip below the poverty line ([www.eeoc.gov](http://www.eeoc.gov)).

Franchise workers are not the only constituents impacted by the adverse consequences of discrimination. The stakes are also considerable for individual franchisees as they outlay their own capital in the form of an initiation fee to start these small businesses (Litz & Stewart, 1998). Depending on the industry served, franchisee startup costs can range anywhere from \$20,000 to well over \$1 million, with an average of \$350,000-\$400,000 required to get started ([franchise.org](http://franchise.org)). Franchisees also pay significant ongoing royalty and marketing fees as a fixed percentage of sales for the right to do business under the franchisor's name. These franchisees operate on razor-thin profit margins that are as low as two percent, so any given discrimination settlement threatens to thrust their franchises into bankruptcy and loss of their personal investment (Investors.com, 2016).

Aside from these high stakes inherent in the archival context, our study benefits from the consistent, centralized messaging disseminated by franchisors who indoctrinate all of their franchisees and managers through extensive headquarter and onsite training (Nygaard & Biong,

2010). In fact, researchers have observed that franchises grow through multi-unit replication of a franchisor template (Winter, Szulanski, Ringov & Jensen, 2012). A franchisor gives the franchisee a high-level guide for managing and operating an establishment and, “...*anticipating most management problems, provides a complete matrix for management decisions confronted by the franchisees. The major advantage of buying a franchise is that the ‘system,’ the means for distributing goods and or services, has been developed, tested, and associated with the trademark*” (Franchise.org/faqs-about-franchising). Corporate mission statements and nondiscrimination policies both play crucial roles in this “system,” allowing for consistent empirical observation.

Dating as far back as 1999, the academic literature has documented that franchises provide extensive guidance on, and enforcement of, ethical codes affecting key stakeholders like franchisors, franchisees and employees.<sup>26</sup> Among the best practices imparted to franchisees is the US version of the International Franchising Association Code of Principles and Standards of Conduct, which encompasses ethical principles governed by equal employment opportunity laws and fair labor standards (Preble & Hoffman, 1999). In fact, Preble and Hoffman (1999) find that the US is one of several countries whose franchises explicitly detail responsibilities towards minorities, women, disabled and disadvantaged current and potential employees. Guided by franchisor training, franchisees possess the ultimate discretion in human resource-related decisions, including those that involve hiring, firing, training, staffing and pay. As such, franchises offer the ideal opportunity: To observe the direct impact of uniform franchisor message dissemination, namely franchise mission statements, on franchisee decisions in the face

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<sup>26</sup> Franchises prominently display explicit verbiage on Equal Employment Policy and Practice, including EEOC guidelines, as part of the parent companies’ Company Code of Business Conduct and Ethics. View example: <http://ir.wendys.com/phoenix.zhtml?c=67548&p=irol-govconduct#5> and refer to “Business Relationships.”

of clearly delineated franchise nondiscrimination policies.

## **Data**

Our discrimination data set originates from the US Equal Employment Opportunity Commission, which enforces federal laws in violation of the Equal Pay Act of 1963, the Civil Rights Act of 1964, The Age Discrimination in Employment Act of 1967, The Americans with Disabilities Act of 1990, and the Genetic Information Nondiscrimination Act of 2008 that collectively make it illegal to discriminate in the workplace on the basis of age, disability, gender, genetic information, national origin, pregnancy, race/color, religion, sexual orientation and sexual harassment. The EEOC's public archive of litigation settlements provides a comprehensive repository of press releases on individual incidents for the past ten years, disclosing a number of crucial case details, including: the company involved, the basis for discrimination, the number of counts of discrimination, whether or not retaliation occurred, the dollar amount of the settlement, the location where the offense occurred, and characteristics of the individual perpetrators and victims. Many of these press releases also contain information on the franchise itself, including the number of employees, locations, and states of operation at the time of the settlement. Recent discrimination research recognizes that such settlements where the EEOC directly sues corporations reflect the most "clear-cut" cases in which there is "overwhelming evidence" of employment discrimination (McDonnell & King, 2017, p. 16). This uniquely-compiled archival data set allowed for the identification of 148 unique franchise discriminators involved in 259 litigation settlements (51 including retaliation) for \$215,818,947 in disclosed fines.

We then supplemented this EEOC data with rich and consistent information on the franchises themselves from *Entrepreneur Magazine*, comparing EEOC-violating franchises

against the 411 franchises in *Entrepreneur's* Annual Franchise 500 List for 2017 that were not involved in discrimination settlements<sup>27</sup>. *Entrepreneur* data includes a) company profiles: founding year, corporate address, CEO name, parent company, operating status; b) financials: initial investment, net worth and liquid cash requirements, ongoing fees; c) location: unit locations, change in units; and d) operations: on-site vs. headquarter training days, additional training, ongoing and marketing support, number of employees required to run.

Lastly, we systematically obtained publicly available, clearly labeled and static<sup>28</sup> mission statement verbiage for all EEOC vs. non-EEOC violators directly from their franchise websites as the basis for analyzing the regulatory mode of franchise motivational messaging. Given franchisees are trained in parent franchise mission statements and prominently display these mission statements on their websites, we match the wording of a single franchise-level mission statement for our Independent Variable to aggregated measures of EEOC violations across franchise locations as our Dependent Variable. For example, 7-Eleven's single franchise mission statement will be associated with a binary measure of "1" for 7-Eleven discrimination ("0" otherwise) and a continuous (integer) measure of two EEOC violations across multiple 7-Eleven franchise locations in several states. See Table 1 for sample statistics.

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Insert Table 1 Here  
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<sup>27</sup> To arrive at a total of 500 franchises: 7 franchises in the Entrepreneur 2017 list were subsidiaries (e.g. DoubleTree is part of Hilton) and thus rolled into the 411 non-EEOC franchise count, 32 were included in our EEOC violators list, while an additional 50 were removed due to missing mission statements; see Supplemental Analyses section for robustness checks.

<sup>28</sup> See David (1989, p. 90) definition of mission statements as enduring, a sentiment echoed by practitioners, e.g. "A mission statement is usually an enduring message that remains constant throughout an organization's existence," Scott Stuecher, Manager, Veralon Healthcare Management Advisors. Also note, "Mission and vision statements describe the foundation of an organization or business. Unless your business or organization changes its focus completely, you won't need to change the mission or vision statement" ([Chron.com](http://Chron.com)). Given our data set consists of large, well-established franchise companies, we assume the mission statements to be static during the lifetime of the analysis.

## **Independent Variable**

*Franchise Regulatory Mode.* We operationalized motivational messaging at the franchise firm-level as the regulatory mode score of the language used in the franchise's mission statement ( $M_{\text{words}} = 117.24$ ). To obtain this score, we constructed and validated a regulatory mode dictionary, which we uploaded into the Linguistic Inquiry and Word Count "LIWC" software to determine regulatory mode frequencies (Pennebaker, Booth & Francis, 2007). With the exception of any summary variables and word counts, all LIWC2015 output variables reflect the number of regulatory mode words as a percentage of total words in text. As a procedural guide, we patterned our procedure for creating this dictionary on Gamache and colleagues' regulatory focus dictionary creation, which these scholars applied to CEO shareholder letters to determine their motivational influence on acquisition activity (Gamache, McNamara, Mannor & Johnson, 2015).

In doing so, we followed the recommended steps for validating a new measurement of an existing construct (Nunnally & Bernstein, 1994). The resultant process consisted of four main steps: 1) we created lists of word stems using key verbs and nouns from the regulatory mode questionnaire (Kruglanski et al, 2000) and locomotion and assessment inductions (Avnet & Higgins, 2003); 2) we established content validity by presenting the nascent dictionary to a comprehensive collection of subject matter experts; 3) we established divergent validity by demonstrating that our measure produced relevant group differences; and 4) we established parity of locomotion versus assessment term usage in the English language.

We began our process by assembling a list of all words that have been associated with locomotion and assessment in the motivation science and organizational behavior literatures. Our primary source for this step was the regulatory mode questionnaire, commonly used in

regulatory mode experiments (Kruglanski et al, 2000). For instance, after examining a question probing assessment, “*When I meet a new person I usually evaluate how well he or she is doing on various dimensions,*” we selected the key verb “evaluate” for the assessment terms.

Conversely, “can’t wait” and “get started” were added to the locomotion list after examining a question probing locomotion, “*When I decide to do something, I can’t wait to get started.*” We applied this process to each of the 12 locomotion and 12 assessment items from the questionnaire.

The seminal regulatory mode paper by Kruglanski and colleagues (2000) was another crucial source for the initial terms. Scrutiny of the theoretical underpinnings of locomotion and assessment in this paper yielded more key terms. For instance, where those authors posited that locomotion is concerned with movement from state to state and with removing obstacles, we added word stems “mov\_” and “obstacle\_” to the locomotion list, reflecting words that both facilitate and impede movement. And where assessment is described as having concern for comparisons, we added a stem “compar\_” to assessment.

Delving further into the regulatory mode literature, we sought more theoretical associations with these states of goal pursuit, summarizing important findings into additional words for consideration. For instance, research relating assessors’ proclivity to procrastinate and ruminate spurred the addition of these terms to the assessment list (Pierro, Giacomantonio, Pica, Kruglanski & Higgins, 2011; Pierro, Leder, Mannetti, Higgins, Kruglanski & Aiello, 2008). Similarly, research on work performance showed evidence for locomotors as effective leaders, so we added “lead\_” to the locomotion list (Pierro, Giacomantonio, Mannetti, Higgins & Kruglanski, 2012). The result of this theoretical alignment was a list of 112 words associated with regulatory mode, with 56 words related to locomotion and 56 to assessment. The next step

was to verify the content validity of this new measure of regulatory mode.

In order to establish content validity of this measure, we turned to 11 of the foremost regulatory mode experts. Each of these subject matter consultants had published on RMT's basic tenets or applications of locomotion and assessment as a first author. Collectively, these experts have co-authored 42 academic papers on regulatory mode that have garnered 80% of the 4,832 citations on the topic. These experts provided input and judged without prior categorization each of the initial 112 words as a locomotion word, an assessment word, or neither. We retained the 34 locomotion and 34 assessment words that at least 80%<sup>29</sup> of our expert panel agreed were exclusively related to either locomotion or assessment for an average of 92.1% agreement on the resulting 68-word dictionary. Notably, all of those 68 words were agreed upon for the specific goal pursuit state in accordance with our *a priori* list. Agreement among these potential users of the regulatory mode dictionary points to its aptness in capturing what is known about the distinct motivational states of locomotion and assessment. See Appendix A for the dictionary of terms.

Having established content validity, we turned to strict quantitative analyses in order to establish divergent validity, defined as "*the ability of a measure to produce relevant group differences*" (Nunnally & Bernstein, 1994, p. 93). The relevant group differences we aimed to judge are the linguistic markers of locomotion and assessment. Therefore, the regulatory mode dictionary should yield a high locomotion score and a low assessment score when analyzing text written by a predominant locomotor. Conversely, the dictionary should yield a high assessment score and a low locomotion score when analyzing text written by a predominant assessor. Using two separate corpora of essays from previous unrelated research, we tested the 68-word

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<sup>29</sup> "Smooth" was the only exception to agreement, likely due to the fact that this word was not explicitly used in the RM questionnaire. We relied upon seminal regulatory mode papers to evaluate its importance and found this word played a critical role in establishing locomotion as a useful construct, with the literature devoting special attention to "smooth" maintenance of goal-pursuit tasks (Higgins et al, 2003, p. 326; Kruglanski et al, 2000, p. 795).

regulatory mode dictionary. These essays were written responses to the *behavior-over-time* tasks that induce either locomotion or assessment, obtained from our regulatory mode expert consultants (Avnet & Higgins, 2003).

Our analysis confirmed the validity of these terms: The locomotion induction essays scored approximately five times higher on locomotion ( $M = 4.12\%$ ,  $SD = 3.03\%$ ) than assessment ( $M = 0.82\%$ ,  $SD = 1.21\%$ ), with  $t(155) = 13.30$ ,  $p < .001$  based on our dictionary. The assessment induction essays scored over twice as high on assessment ( $M = 3.63\%$ ,  $SD = 2.28\%$ ) than locomotion ( $M = 1.56\%$ ,  $SD = 1.72\%$ ), with  $t(155) = 8.84$ ,  $p < .001$ . We tested our dictionary against a second corpus of essays in order to confirm the first analysis. The second set of locomotion induction essays scored 6.5 times higher on locomotion ( $M = 3.29\%$ ,  $SD = 1.78\%$ ) than assessment ( $M = 0.51\%$ ,  $SD = 0.53\%$ ); with  $t(129) = 17.12$ ,  $p < .001$ . Similarly, the second set of assessment induction essays again scored over twice as high on assessment ( $M = 2.97\%$ ,  $SD = 1.32\%$ ) than on locomotion ( $M = 1.37\%$ ,  $SD = 0.87\%$ );  $t(135) = 11.66$ ,  $p < .001$ . The magnitude and certainty of these four scores from two separate corpora provide confidence that this regulatory mode dictionary yields meaningful differences in the expected directions. As intended, the dictionary yields high locomotion scores and low assessment scores for writings produced in the predominant locomotion state, and high assessment and low locomotion scores for writings produced in the predominant assessment state.

In addition to performing these convergent and divergent validation procedures, we also sought to determine the parity of usage occurrence in the contemporary English language for the set of 34 locomotion versus 34 assessment terms in our dictionary. Using Google Books NGram Viewer for the years 2000 through 2017, we obtained the frequency of term usage and observed a nonsignificant score for the Welch's t-test difference between the locomotion and assessment

frequency outputs<sup>30</sup>. Having demonstrated its theoretically-aligned development, expert-informed content validity, strong divergent validity and occurrence parity, we are confident in using the regulatory mode dictionary to distinguish between the prevalence of these two modes in real-world corpora. In the same vein as the essays we analyzed with our new dictionary, we can use this instrument to measure concerns for locomotion and assessment in corporate mission statements.

Like the questionnaires utilized in prior regulatory mode research, our instrument measures locomotion and assessment independently and yields values on the same numeric scale. In addition to arriving at these separate measures, we also apply a procedure based on an index of difference scores that has previously been utilized by motivation scientists to measure predominant motivations (Camacho et al, 2003; Cesario & Higgins, 2008; Molden & Higgins, 2004; Webb et al, 2017). The index results in a continuous measure of predominant regulatory mode as our independent variable, whereby positive numbers indicate locomotion predominance and negative numbers indicate assessment predominance. On this index, scores close to zero describe near-equal intensities of locomotion and assessment, while larger absolute values describe increasing predominance.

### **Dependent Variable**

***Discrimination.*** Our outcome of interest is discrimination activity, both in terms of the likelihood and frequency of franchise involvement, for a franchise firm-level unit of analysis. We operationalized discrimination likelihood as a binary “1” if the franchise was named in an EEOC litigation settlement and “0” if not. Discrimination frequency was operationalized as a continuous measure of separate and unique litigation settlements in which each franchise

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<sup>30</sup> Note that the mean frequencies of locomotion and assessment words in the franchise mission statements aligned with Google NGram term usage, offering external validity to the archival study results.

corporation was named. We had considered using the US dollar amount of EEOC settlement fines as a potential outcome variable, but certain settlement amounts are undisclosed while others remain pending, resulting in data inconsistencies. In addition, recent research suggests that a number of separate factors affect the monetary sum of the damages award, including degree of firm prestige (McDonnell & King, 2017).

### **Control Variables**

The more years that franchises are in business and the more workers they employ across more locations, the greater their exposure to employment-related discrimination litigation. As such, we controlled for franchise age (number of years since founding), franchise workers (employee count) and franchise units (number of locations). We also recognized that industry type can potentially have an impact on discrimination activity (e.g. more physically taxing sectors may increase the likelihood for disability discrimination) and coded the franchises for the eleven (11) industry classifications provided by The Franchise Times. Allowing for the possibility that female-led management teams may display greater sensitivity to ethical standards (Ho, Li, Tam & Zhang, 2015; Huang, 2013; Ibrahim, Angelidis & Tomic, 2009; Simga-Mugan, Daly, Onkal & Kavut, 2005), we coded *franchise gender* as “1” for female CEO and “0” for male CEO in our analysis. *Industry Code* and *CEO Gender* collectively serve as the first set of our control variables in the forthcoming models, while *Age*, *Employees* and *Locations* represent the second collective set of controls. There were several other variables that we explored but found they did not meaningfully contribute to our model: We anticipated that the greater degree of regulatory oversight and fiduciary duty to protect shareholders of public companies may reduce their involvement in discrimination relative to private companies. Likewise, we anticipated that companies with higher US dollar sales figures would have more organizational

resources available for preventing discrimination. Similarly, we thought that a lower Franchise 500 ranking (with 1 being the best rank) might be indicative of superior management ability and could be associated with a lower degree of discrimination. We instead found that all three of these variables were merely proxies for franchise size, and their impact on discrimination activity thus ran in the inverse direction than hypothesized. As we already accounted for markers of size, these additional variables were not informative and therefore omitted from the model.

## Results

**Descriptive Statistics.** As hypothesized, *discrimination* was significantly and positively correlated with *locomotion* and *predominant regulatory mode (locomotion–assessment)*, while significantly and negatively correlated with *assessment*. Also as expected, *discrimination* was significantly and positively correlated with *franchise age*, as well as *employee* and *location*, the three of which are correlated with one another. Similarly, *discrimination* was modestly and negatively correlated with the presence of a *female CEO*. Hypothesis testing reveals *predominant regulatory mode* is a significant predictor of *discrimination* in the presence of all of these variables.

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Insert Table 2 here  
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**Hypothesis Testing.** Our statistical tests supported baseline Hypotheses 1a and 1b for the association of franchise *discriminatory (vs. non-discriminatory) behavior* with separate concerns for *locomotion* and for *assessment*. Specifically, we found discriminating franchises display mission statements with significantly higher levels of *locomotion* ( $M = 2.12\%$ ,  $SD = 2.34\%$ ) than those that do not discriminate ( $M = 1.27\%$ ,  $SD = 1.42\%$ );  $F(1, 557) = 27.01$ ,  $p < .001$ . Likewise, our results revealed that discriminating franchises have mission statements with significantly lower levels of *assessment* ( $M = 0.39\%$ ,  $SD = 0.67\%$ ) than those that do not discriminate ( $M =$

1.21%,  $SD = 2.29\%$ );  $F(1, 557) = -18.74, p < .001$ .

Table 3's binomial logistic regression (models 1-3) and multiple linear regression (models 4-6) results offered substantial evidence in support of Hypotheses 3a<sup>31</sup> and 3b, respectively, with models 1-6 all reporting significance at a  $p < .001$  level. The coefficient of our key predictor of *predominant regulatory mode* was positive and significant as a standalone variable in both types of regressions (models 1 and 4). These results indicated that franchises whose mission statements have higher *locomotion* and lower *assessment* levels are significantly more likely to engage in *discrimination* and do so with a higher degree of frequency. We went on to successively introduce two sets of controls in models 2, 3, 5 and 6. As expected, the first set of controls (including *industry code* and *CEO gender*) served to modestly increase the *Pseudo R*<sup>2</sup> and *R*<sup>2</sup> of the respective models (2 and 5), while the second set of controls (including franchise *age*, *employees* and *locations*) augmented our models (3 and 6) considerably.

Consistent across all models, franchise *age*, *employees* and *locations* each significantly increased the likelihood and frequency of franchise *discrimination*. As anticipated, we also confirmed that a franchise's *industry code* had a significant impact on *discrimination* likelihood and frequency (models 2, 3, 5 and 6); see Figure 1 for industry breakdowns. Conversely, the presence of a female CEO modestly reduced the likelihood and frequency of discrimination involvement in models 2, 5 and 6. Accounting for our controls, model 3's regression coefficient indicated that an increase of 1 unit in *predominant regulatory mode* significantly increases the log-odds that a franchise will be named in an EEOC *discrimination* settlement by 3.10. When

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<sup>31</sup> As further support of H3a, Pearson's Chi-squared test with Yates' continuity correction confirmed that discriminating versus non-discriminating franchises differed significantly according to the predominant regulatory mode of their mission statements, with franchises whose mission statements displayed predominant locomotion being significantly more likely to discriminate than those displaying predominant assessment ( $\chi^2(1, N = 559) = 30.51, p < .001$ ).

examining the effect of *predominant regulatory mode* in the presence of all controls, model 6 explained 44% of the variance in *discrimination frequency*, with  $F(1, 552) = 72.10$ ,  $R^2 = 0.44$ ,  $p < .001$ . As theorized, this continuous outcome measure of separate litigation cases undergone over time by each franchise enables us to observe the longitudinal behavior of “repeat offenders,” or franchises who have been disciplined by the EEOC but persist in violating EEOC regulations thereafter—a behavior significantly more prevalent among those with higher levels of predominant locomotion.

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Insert Table 3 here  
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### Supplemental Analyses

**Robustness Checks.** We ran several robustness checks to alleviate any potential concerns pertaining to selection bias in our discriminating versus non-discriminating franchise samples. Recall that we decided against using rank and operating status as control variables, but we recognized that these distinctions can be meaningful. For instance, what if we only see this phenomenon present in public franchises as opposed to those that are privately run? What if those franchises that made it into the Entrepreneur Franchise 500 list for 2017 were in some way different from those that were not ranked in that particular year? We found significant support for our hypotheses in these separate subsamples as well: a) the *predominant regulatory mode* of 2017-ranked franchises predicted both the likelihood (with  $\beta = 0.32$ ,  $SE = .10$ ,  $z = 3.24$ ,  $p = .0012$ ) and frequency of *discrimination* violations ( $F(1, 441) = 4.74$ ,  $p = .030$ )<sup>32</sup>; b) the *predominant regulatory mode* of private franchises predicted the likelihood (with  $\beta = 0.38$ ,  $SE = .08$ ,  $z = 4.74$ ,  $p < .001$ ) and frequency ( $F(1, 417) = 15.95$ ,  $p < .001$ ) of *discrimination*; and c) the

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<sup>32</sup> There are too few *unranked* Entrepreneur 500 franchises in the sample for significant power to test them as well.

*predominant regulatory mode* of public franchises predicted the likelihood of public company involvement in discrimination (with  $\beta = 0.25$ ,  $SE = .11$ ,  $z = 2.30$ ,  $p = .022$ ) but not the frequency of those violations, suggesting that their additional shareholder oversight may impede subsequent incidents from occurring.

***Discriminant Validity.*** We bolster Study 1's conclusions that discrimination is specifically predicted by distinctions related to regulatory mode, with locomotion being unique in comparison to the constructs of action and bottom line mentality and assessment being unique to ethical priming. The construct of *action*—albeit theoretically important—is merely one component of a locomotive goal pursuit. We ran the archival mission statements through LIWC's built-in dictionary for action orientation based upon verb usage, which demonstrated that discriminating franchises do not significantly differ from non-discriminating franchises in action verbiage ( $p = .20$ ). We then tasked a human rater with blind coding the 100 latest cases of discrimination in the EEOC archives and found that discrimination is just as likely to be affiliated with action as inaction (in fact, it is a 50/50 split).

According to Sims (1992) on *bottom line mentality*, “this line of thinking supports financial success as the only value to be considered,” while Sims (2003) goes on to specify that this is a “short-term mindset.” Bottom line mentality is at odds with what has been established theoretically about locomotion, namely that locomotors are associated with a long-term focus. In fact, locomotion is arguably a top line (revenue generating) mentality whereas a bottom line (net profit) mentality inherently takes into account the need to both increase revenues and manage costs, more in line with what has been theorized about assessment. We ran the mission statements through LIWC's relevant dictionaries to find that discriminating franchises' mission statements did not differ from non-discriminating franchises' mission statements according to the

LIWC dictionaries of “present” word orientation ( $p = .21$ ) vs. “future” word orientation ( $p = .71$ ), nor for “success” word orientation ( $p = .25$ ) and “money” word orientation ( $p = .43$ ), all proxies for bottom line mentality.

There is no direct theoretical link between assessment mode and *ethics* according to RMT. In fact, two decades’ worth of motivation science has not established a connection between assessment and ethical behavior prior to this paper. As a proxy for ethics, we ran the archival mission statements through LIWC’s “general morality” dictionary developed by Jonathan Haidt’s lab to confirm that assessment and general morality language are not correlated ( $r = -.04, p = .38$ ) and that general morality language does not predict EEOC violations ( $F(1, 557) = 2.22, p = .14$ ). In the presence of general morality, locomotion and assessment each significantly predict, in opposing directions, whether or not a franchise will be involved in EEOC discrimination ( $F(1, 555) = 8.24, p < .001$ ), while we observe that the coefficient of general morality as a predictor of discrimination is not significant ( $\beta = 0.03, SE = .03, t = 1.23, p = .22$ ).

## **STUDY 2: PRIMARY EXPERIMENTAL TEST**

In Study 1, we found that the motivational content of mission statements predicted discriminatory violations by US franchises. This observational field data was correlational, so we cannot conclude that predominant regulatory mode has a causal effect on discriminatory behavior. We are similarly unable to rule out the existence of an unobserved variable that might confound our predictor and outcome variables. The archival setting also did not allow us to control for any changes in mission statements over time or for the degree of franchisee familiarity with EEOC regulations at the time of the incidents. Finally, we were not able to determine the mechanism through which regulatory mode influences discrimination activity. To isolate the effect of this type of motivational language on discrimination and explore a

mechanism for the effect, we designed a controlled experiment in which we manipulated the motivational content of franchise mission statements and observed participants' decisions to discriminate. In order to preserve as much external validity as possible, the experiment placed participants in reality-based workplace scenarios. Using details obtained from settlement data on actual EEOC cases, we crafted three human resource "HR" decisions spanning a cross-section of discrimination types (disability, age and pregnancy) and common work settings (fast food restaurant and retail).

## Methods

**Participants.** We recruited 168 participants via Amazon Mechanical Turk<sup>33</sup> to take part in an online experiment, removing 5 participants who failed the attention check as to the role they played in the experiment; including these participants did not change the direction or the significance of our reported results. The resulting total of 163 participants consists of 83 randomly assigned to the condition of locomotion and 80 to the condition of assessment. Of the EEOC violations analyzed in Study 1, the vast majority were committed by male managers (only 3% of cases named female perpetrators). In order to test how EEOC violations typically occur in actual workplace scenarios, we thus confined our experiment to male participants. The sample age ( $M = 33.99$ ,  $SD = 8.74$ ) was in line with the industry-average supervisor age of 33 years (Zenger, 2012). Reflecting overall US policy adoption, 149 (91.4%) self-reported familiarity with corporate nondiscrimination policies. 111 (68.1%) self-reported to have applicable franchise, management and/or work setting experience. 130 (79.8%) did not identify as members of a marginalized population.

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<sup>33</sup> An a priori power analysis based upon the archival study results (namely  $\mu_1 = 0.32$ ,  $\mu_2 = 0.07$ ,  $\sigma = .37$ ,  $\alpha = .001$ , desired power  $\pi = .85$ ) yielded a sample size target of 83 for each randomly assigned group. MTurk returned 83 assessment participants and 85 locomotion participants.

**Procedures.** Simulating the real-world environment of the franchise industry, we began the procedure by having participants consent to act as franchise managers and then instructed them as follows: “You work as a manager for a franchise whose mission statement you will read next. After you read that mission statement, we will present you with three situations pertaining to the various businesses the franchise operates. You will have the chance to re-read the franchise’s mission with each situation you encounter in an effort to best answer the related questions. As manager, you have sole discretion over each of these employment decisions. When answering the questions that follow, note that we are looking for your answers as to what you would choose while working as manager for this company.”

### **Independent Variable**

Our between-subjects design randomly assigned participants to either a “locomotion” or an “assessment” condition by exposing them to manipulated franchise mission statements<sup>34</sup>: The strong predominant locomotion mission statement contained 21 locomotion and 0 assessment unique words or phrases, whereas the strong predominant assessment mission statement contained 20 assessment and 0 locomotion unique words or phrases. Aside from including comparable amounts of regulatory mode terms, we achieved parity by: 1) maintaining similar word length (108 and 109 words for locomotion vs. assessment, in keeping with the average word count of mission statements from the field) and 2) comparable components (each described the company’s mode of pursuing its goals, asked the reader a rhetorical question, told the reader what was desired in an employee, and included an offer to join the mission). Appendices B and C provide verbatim details on both the mission statements and scenarios, respectively.

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<sup>34</sup> Although locomotion and assessment are independent states of goal pursuit, these mission statements, like other motivational inductions of regulatory mode (Avnet & Higgins, 2003) and regulatory focus (Freitas & Higgins, 2002), place participants into either locomotion or assessment. Regulatory (focus, mode) experiments typically do not employ control conditions as a “blank slate” would only reflect participants’ chronic measure.

## Dependent Variables

*Discriminatory Decisions.* Participants were asked to review the details of each workplace scenario and then make a choice between a nondiscriminatory option and one that violated EEOC policies based on the litigated settlement details from the EEOC archives: for the disability scenario, participants had a choice to consult with the employee on safety precautions or transition the employee out of the current position; for the age-related scenario, participants could observe the aging sales manager or hire a younger replacement; and for the pregnancy scenario, participants could move forward with the applicant's review process, explaining the maternity leave policy, or decline to do so, getting the applicant to call back after having the baby and securing child care. We then utilized both a binary likelihood measure ("1" if the participant discriminated on one or more choices, "0" otherwise) and continuous frequency measure (total number of discriminatory choices by participant, from 0 to 3) of the dependent variable.

*Ethical Standard Considerations.* We captured the extent to which participants referenced ethical standards among their considerations when responding to the prompt, "What factors contributed to your decision? List any and all factors below, up to 10 factors that contributed to your decision." Two independent coders (89% agreement;  $r = 0.78$ ,  $p < .001$ ) categorized and counted the mentions of ethical standards after being informed that ethical standards are defined as "A set of principles of right conduct that, when followed, promote values such as trust, good behavior, fairness and kindness" (BusinessDictionary.com; TheFreeDictionary.com) and after having read the "Ethical Standards for Human Resource Management Professionals: A Comparative Analysis of Five Major Codes" by Carolyn Wiley (2000).

## **Controls**

As participant age, relevant working experience, and familiarity with EEOC-related policies may each affect the outcome variable of our experiment, we used these variables as controls in our analysis. We captured these measures by asking participants “How old are you?” for age; “Have you worked in a setting depicted in these scenarios?”, “Please disclose any management experience you may have,” and “Have you worked in a human resources (HR) capacity at any point in your career?” for experience; and “Are you aware that most companies (like this one) have nondiscrimination policies in place?” for familiarity with EEOC-related policies.

## **Results**

We observed that managers exposed to mission statements with strong predominant locomotion language displayed a significantly higher tendency and incidence of discrimination than those exposed to mission statements with strong predominant assessment language: 68 (81.9%) of the 83 managers in the strong predominant locomotion condition did so for a total of 115 incidents (or 1.39 times per participant), whereas 44 (55.0%) of the 80 managers assigned to the strong predominant assessment condition discriminated for a total of 64 incidents (or 0.80 times per participant).<sup>35</sup> We went on to find significant causal evidence for our hypotheses 3a and 3b that the regulatory mode of mission statements directly affects the likelihood and incidence of manager discrimination: 1) For our binary likelihood measure, a binomial logistic regression revealed that exposure to mission statements with strong predominant locomotion

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<sup>35</sup> Percentage discrimination results have external validity, considering we exposed applicants to a selection of the more difficult scenarios they would encounter as managers with regard to potential discrimination in order to induce a decision-making process.

increased the odds of a manager discriminating by a factor of 3.71, with  $F(1, 161) = 14.82, p < .001$ , and  $\eta p^2 = 0.08$ .

Furthermore, Pearson's Chi-squared test with Yates' continuity correction confirmed that the distribution of discriminating (vs. non) participants differed significantly according to their regulatory mode exposure, with those exposed to strong predominant locomotion (versus strong predominant assessment) mission statements being significantly more likely to discriminate ( $\chi^2(1, N = 163) = 12.52, p < .001$ ); and 2) For our continuous frequency measure, a linear mixed effects model nesting decisions within participant revealed that exposing participants to strong predominant locomotion mission statements (as opposed to strong predominant assessment mission statements) caused them to discriminate significantly more often, with  $t(161) = 4.09, p < .001$ , and  $\eta p^2 = 0.09$ . Lastly, we applied R's "mediation" package with 95% confidence intervals and 10,000 resamples to analyze the nested experimental data. As predicted in hypothesis 2a, we found that the relationship between franchise regulatory mode and discriminatory decision making was mediated by consideration of ethical standards (*Indirect Effect* = 0.27\*\*, *SE* = 0.10, *CI95* = 0.11, 0.50), controlling for familiarity with nondiscrimination policies, relevant work experience and age (MacKinnon, Fairchild & Fritz, 2007).

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Insert Figure 2 here  
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### **STUDY 3: SECONDARY EXPERIMENTAL TEST**

Studies 1 and 2 provided significant support for hypotheses 1a and 1b, 2a, 3a and 3b, but we have yet to support or refute hypothesis 2b related to a theorized serial mediation path from regulatory mode to discriminatory behavior through expediency and the consideration of ethical standards. Aside from this particular goal, the purpose of conducting an additional, sufficiently-

powered experiment was multifold. As in Study 1's supplemental analyses, we again sought to confirm that the effects of regulatory mode are distinct from those of action, bottom line mentality, and ethical priming—this time, we did so in an experimental setting. We thus set out to replicate our findings with mission statements and choices that accounted for any alternative priming.

In doing so, we separately introduced a pure Control condition to investigate the effects of locomotion and assessment against a mission statement devoid of any motivational messaging. We likewise seized this opportunity to assess the presence of any interaction between the regulatory mode of employers' motivational messaging and would-be managers' chronic regulatory mode dispositions. This time, we also posed explicit questions regarding participants' consideration of ethical standards and policies, as well as their perception of having violated non-discrimination policies. These responses enabled us to observe whether or not regulatory mode's influence on discriminatory behavior is implicit in nature.

## **Participants**

We conducted Study 3's high-powered online experiment on 554 male participants<sup>36</sup> recruited from Amazon Mechanical Turk, with 185 randomly assigned to the Locomotion condition, 175 to the Control condition, and 194 to the Assessment condition of mission statement primes. These accepted participants reflect the removal of 23 participants who failed

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<sup>36</sup> Based upon our experiment results, we conducted 3-group a-priori power analyses to achieve an experimental replication using the new Locomotion and Assessment primes and to also introduce a Control condition for comparison to the Locomotion and Assessment experimental primes. The most liberal calculation yielded an estimation that 323 participants in total were needed for an 80% chance of detecting an effect size of .10. The most conservative calculation based on a 90% chance of detecting an effect size of .09 yielded an estimated 522 participants. We pre-registered this sample on OSF and then used MTurk again for recruitment. MTurk's job run yielded even more than our requested job size for 577 participants. We then excluded 23 attention check failures. As with our original experiment (Study 2), we ran this via a 1-time job on MTurk as well.

the attention check because they did not recognize they were meant to play the role of manager, per Study 3's pre-registered OSF protocols; our results did not change when including them. Consistent with Study 2, 503 or 90.8% of the sample reported being aware of nondiscrimination policies in the workplace; 356 or 64.3% self-reported to have applicable work experience; while 399 or 72.0% did not identify as members of a marginalized population. Participants ranged in age from 18 to 77 years, with  $M = 37.15$ ,  $SD = 11.52$ .

## **Variables**

*Independent Variable.* For our independent variable, we again randomly assigned participants to franchise mission statements that differed according to regulatory mode. This time, we sought to replicate our findings with locomotion and assessment mission statements that maintained the same sentence structure, key components, and word count ( $Nwords = 108$ ) of the original Locomotion and Assessment conditions but were devoid of action and bottom line mentality for the Locomotion condition and for ethical priming for the Assessment condition (see Appendix D). In an effort to determine whether locomotion increases discrimination, or assessment reduces discrimination, or both play opposing roles against a baseline, we also created a Control condition (Appendix E). Our experimental Control condition was designed to maintain the same sentence structure, key components, and word count (again, with  $Nwords = 108$ ) of the Locomotion and Assessment conditions. We ran the control prime through the locomotion and assessment dictionaries to ensure this mission statement was devoid of each type of motivational language, as well as of any action, bottom line mentality, and ethical priming. We thus arrived at three levels of the regulatory mode independent variable: *Locomotion*, *Control*, and *Assessment*.

**Dependent Variables.** With regards to dependent variables, we maintained the same ones used in Study 2 for *Discriminatory Decisions*, calculating both a binary (0, 1) likelihood measure of whether or not the participant discriminated, as well as a continuous frequency measure of the number of times the participant discriminated, from 0 to 3. But this time, we balanced the scenario choices for the degree of action and inaction associated with discriminatory *vs.* nondiscriminatory decisions (See “Action Priming” section, Footnote 17, and Appendix F for details).

**Control Variables.** We also account for several control variables in our analyses of the results. Interested in the potential influence of individual regulatory mode levels, we captured participants’ chronic mode by administering the 30-question regulatory mode questionnaire or “RMQ” (Kruglanski, Thompson, Higgins, Atash, Pierro, Shah, and Spiegel, 2013) to participants; participant responses from 1 = *strongly disagree* to 6 = *strongly agree* enabled us to arrive at separate levels of chronic locomotion and chronic assessment for each individual. Likewise, we had participants report on a Likert scale from 1 = *strongly disagree* to 7 = *strongly agree* regarding the degree to which “Expediency (e.g. convenient & practical)” and “Consideration of Ethical Policies & Standards” factored into their decision making. We again captured measures of participants’ self-reported applicable work experience, as well as their awareness of corporate nondiscrimination policies, which we also used as controls.

## **Procedures**

Study 3’s between-subjects design was identical to that of Study 2, which simulated the real-world environment of the franchise industry by exposing participants to mission statements randomized for regulatory mode language and then instructed them to make managerial decisions on the company’s behalf in response to three scenarios. In terms of experimental

procedures, we undertook the following series of steps to demonstrate the distinctiveness of our motivational influences from alternative inductions and to conservatively assess their effects against a condition without the presence of a motivational influence:

**Action Priming.** To eliminate any interference from potential *action priming*, we first removed the word “action” from the Locomotion condition’s mission statement. We then ran the mission statement primes through LIWC’s verb proxy dictionaries for action to ensure they did not differ. Lastly, we ensured that the managerial choices were balanced for the degree of action associated with the scenarios’ discriminatory *vs.* nondiscriminatory options (confirmed as such via blind coding of discrimination incidents from the EEOC archives). This scenario update involved changing the choices for Scenario 2 so that the nondiscriminatory choice was associated with action (updated to involve bringing in the 61 year-old candidate for an interview) and so that the discriminatory choice was associated with a lack of action (updated to not involve bringing in the 61 year-old candidate for an interview and instead continue the search for a qualified candidate), as prompted by workplace scenario S2 in Appendix F<sup>37</sup>.

**Ethical Priming.** With regards to *ethical priming*, we learned that one word (“right”) from our assessment dictionary and included in our assessment-oriented mission statement also appears in the general morality dictionary available via the LIWC software. We updated the potentially problematic, morality-related prime in the Assessment mission statement, “Are you someone who likes to do the right thing, even when no one’s watching?” with “Are you someone who likes to think things through, examining all aspects of an issue?.” We also went one step

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<sup>37</sup> Supported by our high volume blind coding exercise of the EEOC archives, disability Scenario 1 and pregnancy Scenario 3 choices were already balanced for degree of action-inaction associated with the discriminatory *vs.* nondiscriminatory options.

further, removing references to external stakeholders so as to eliminate other potential priming differences of this nature.

**Bottom Line Priming.** Although we already established through Study 1's robustness checks that discriminating franchises did not differ from non-discriminating franchises according to mission statement language related to *bottom line mentality*, we nonetheless sought to further ensure that *bottom line mentality priming* did not play a role in our mission statement manipulations for our three experimental conditions. Maintaining consistency with the tests that we performed in Study 1, we confirmed that the three primes did not differ according to LIWC's dictionary proxies of this construct, including "present," "future," "success" and "money" orientations (Sims, 1992, 2003). We also added a new question: "To what extent did the below factor come into play in your decision making? Move the slider from left to right (a value of 7 indicates the greatest extent, while 1 indicates the least extent): Bottom Line "Win-Lose" Mentality (e.g. Financial Success)?" to compare the bottom line influence of the regulatory mode inductions against that of the newly introduced Control condition.<sup>38</sup>

## Results

Study 3 provided support in the hypothesized opposing directions for the effects of our conservative Locomotion and Assessment inductions against the new Control condition in terms of both likelihood and frequency of discrimination activity, with Locomotion increasing activity and Assessment decreasing activity against Control: The 185 participants in the Locomotion induction group displayed an average likelihood to discriminate of  $M = 0.80$  ( $SD = 0.40$ ); the 175

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<sup>38</sup> Tukey HSD Post Hoc results of a One-Way ANOVA test indicate participants induced into either Locomotion or Assessment did not factor in Bottom Line Mentality to a different extent than Control, with Locomotion vs. Control of  $Mdiff = 0.32$ ,  $SE = 0.17$ ,  $p = .15$ , and Assessment vs. Control of  $Mdiff = -0.20$ ,  $SE = 0.17$ ,  $p = .48$ ; in keeping with theory, we found that the extent to which Bottom Line mentality factored into decision making did significantly predict discrimination. We thus confirmed the credibility of the measure, as well as its distinction from regulatory mode.

participants in the Control induction group displayed an average likelihood to discriminate of  $M = 0.71$  ( $SD = 0.45$ ); and the 194 participants in the Assessment induction group displayed an average likelihood to discriminate of  $M = 0.63$  ( $SD = 0.48$ ). One-Way ANOVA results indicated that the effect of condition on discrimination likelihood was significant, with  $F(2, 551) = 6.91$ ,  $p = .001$ ,  $\eta p^2 = 0.02$ . The 185 participants in the Locomotion induction group displayed an average discrimination frequency of  $M = 1.36$  ( $SD = 0.95$ ); the 175 participants in the Control induction group displayed an average discrimination frequency of  $M = 1.13$  ( $SD = 0.94$ ); and the 194 participants in the Assessment induction group had an average discrimination frequency of  $M = 0.97$  ( $SD = 0.95$ ). One-Way ANOVA results revealed that the effect of condition on discrimination frequency was also significant, with  $F(2, 551) = 8.10$ ,  $p < .001$ ,  $\eta p^2 = 0.03$ .

***Comparisons to Control.*** The accompanying results Table 4 indicates that even when accounting for the diminishing effect of nondiscrimination policy awareness on discrimination activity, Study 3's conservative Locomotion induction increases discrimination against the Control induction and the conservative Assessment induction decreases discrimination against the Control induction, as predicted—with directional support for both likelihood and frequency measures of discriminatory decision making. Likewise, we note that these conservative induction effects against the Control condition hold even when accounting for the effects of chronic dispositional measures of participants' regulatory mode (with chronic Locomotion and chronic Assessment evaluated as separate measures)<sup>39</sup>. In support of our hypotheses, the effects of our situational inductions of regulatory mode appear to override dispositional proclivities related to mode.

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<sup>39</sup> As standalone measures, discrimination activity means for high chronic locomotion ( $M = 0.65$  for binary,  $M = 1.05$  for continuous) are greater than those for high chronic assessment ( $M = 0.54$  for binary,  $M = 0.75$  for continuous), as expected.

Of the two regulatory mode inductions, we observe that the Locomotion induction exerts the comparatively stronger influence against the Control induction, based on Locomotion’s consistently significant increase in our more granular measure of discrimination frequency across Models 4-6 in Table 4 below. This is a particularly noteworthy finding, given the high incidence of locomotion (*vs.* assessment) present in the archival mission statements and the otherwise positive performance consequences of locomotion observed in our correlational results with regards to franchise age and employee growth. Interestingly, we separately note that participants’ self-reported measure of previous industry experience does not have an effect on discriminatory decision making, while a self-reported measure of previous general HR experience does not help to ameliorate discriminatory decision making and may in fact be counterproductive.<sup>40</sup>

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Insert Table 4 here  
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**Replication.** We also sought to confirm whether those exposed to our new Locomotion and Assessment primes behaved similarly to those exposed to our original Locomotion and Assessment primes. Study 3’s high-powered experiment successfully replicated the results of Study 2 under stringent conditions, with the 185 participants in the Locomotion induction group

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<sup>40</sup> These results provide interesting detail, but our paper is intended to explore how the way in which a company pursues its goals can influence discrimination activity—specifically, how two modes of goal pursuit can differentially affect organizational exposure to ethical misconduct in the form of EEOC violations. The paper is not concerned with whether goal pursuit language increases/decreases discrimination activity *vs.* non-goal pursuit language. Our Control condition is devoid of any goal pursuit language (and motivational language for that matter, including being devoid of goal orientation language). As such, not only is the new Control ancillary to the paper’s purpose but it is also not representative of an organization’s mode of pursuing its goals, nor of an organization’s mission statement language designed to guide employees as to how to pursue those organizational goals—as evidenced by the highly insignificant portion (8.5%) of mission statements in our archival sample devoid of this language based on the most conservative measures of motivation (via the strict presence of the LIWC dictionaries of keywords). In fact, Control conditions have not been utilized in prior motivational induction experiments relating to regulatory mode and regulatory focus as they are not believed to serve as viable inductions and are not applicable for such relative comparisons.

again showing significantly higher likelihood ( $t(377) = 3.75, p < .001$ ) and frequency ( $t(377) = 3.99, p < .001$ ) of discrimination than the 194 participants in the Assessment induction group.

Furthermore, Independent Samples tests for 2-tailed significance were all nonsignificant when comparing a) the results of the 163 participants who took part in the initial experiment to the 379 combined participants assigned to the new Locomotion and Assessment conditions for discrimination as a binary measure:  $t(540) = -0.59, Mdifff = -0.03, p = .56$  and as a continuous measure:  $t(540) = -0.73, Mdifff = -0.07, p = .47$ ; b) the results of the 83 participants exposed to the initial Locomotion condition vs. the 185 exposed to the new Locomotion condition for discrimination as a binary measure:  $t(266) = 0.37, Mdifff = 0.02, p = .71$  and as a continuous measure:  $t(266) = 0.19, Mdifff = 0.02, p = .85$ ; and c) the results of the 80 participants exposed to the initial Assessment condition vs. the 194 participants exposed to the new Assessment condition for discrimination as a binary measure:  $t(272) = -1.20, Mdifff = -0.08, p = .23$  and as a continuous measure:  $t(272) = -0.59, Mdifff = -0.03, p = .56$ .

Additionally, we were able to confirm that the discrimination results are robust regardless of active-inactive fit (Avnet & Higgins, 2003). In other words, those assigned to each of the mission statement primes are just as likely to discriminate vs. not when there is a fit involving an active discriminatory choice as when there is a non-fit involving an inactive discriminatory choice based upon the nonsignificant difference between the distributions of participants' responses when discrimination was phrased as an active vs. inactive choice:  $t(715) = 0.81, Mdifff = 0.03, p = .42$ . We conclude with little uncertainty that there is no difference in outcomes derived from the original and new experimental primes and choices.

**Serial Mediation.** Per Hypothesis 2b, we sought to determine whether *expediency* acts as a precursor to the *consideration of ethical standards*. First, we observed that participants

assigned to each of the three conditions differed significantly in the hypothesized direction with regard to the extent to which “Expediency (e.g. convenient & practical)” factored into their decision making when accounting for our controls of familiarity with nondiscrimination policies, relevant work experience, and chronic locomotion and assessment measures ( $F(2, 547) = 4.02, p < .001$ ); as hypothesized, those in Locomotion reported levels of expediency (out of a 7-point Likert scale) with  $M = 4.86, SD = 1.51$  those in Control with  $M = 4.80, SD = 1.47$  and those in Assessment with  $M = 4.38, SD = 1.73$ . Next, we found that the degree to which participants reported factoring expediency into their decision making predicted the significantly lower degree to which they reported factoring in the “Consideration of Ethical Policies & Standards,” with  $F(2, 547) = -9.88, p < .001$  when again controlling for the factors above. We then performed a serial mediation (via PROCESS Model 6 with 10,000 bootstrapped samples at a 95% Confidence Interval) between Regulatory Mode condition (of Locomotion = 1, Control = 2, and Assessment = 3) and Discrimination Binary through Expediency and Consideration of Ethical Standards that proved significant, resulting in an *Indirect Effect* =  $-0.03^*, SE = 0.01, CI95 = -0.06, -0.01$  consistent with our mediation hypothesis (Preacher & Hayes, 2004, 2008).<sup>41</sup>

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Insert Figure 3 here  
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## Supplemental Analyses

***Chronic x Situational Interaction.*** We first noted that (manipulated) locomotion and assessment inductions significantly predicted discriminatory decisions even when controlling for chronic regulatory mode dispositions as measured by the standard RMQ. The newly-added RMQ

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<sup>41</sup> Aside from this mediation path, we also tested and found consistent, significant support for the Indirect Effect of a serial mediation path involving all three conditions and Discrimination as a continuous measure and, separately, for the serial mediation paths including the two primary conditions (L, A) using both binary and continuous measures.

measure enabled us to also confirm that chronic regulatory mode does not predict discrimination in the Control condition, further evidence for the influence of situational induction. We tested for an interaction between inductions and continuous RMQ scores on both the binary and continuous DV, but found no significant fit effect (Avnet & Higgins, 2003; Higgins et al, 2003). Next, we coarsened the RMQ data and created a factor variable categorizing each participant as Locomotion or Assessment predominant. We tested for a treatment by covariate  $3 \times 2$  interaction on both the binary and continuous dependent variables and again found no significant interaction. This series of tests indicates there is no interaction between chronic mode and the motivations these mission statements induce, reinforcing the broad message of this paper: an employer's mode of goal pursuit causes decisions that can supersede the individual traits of employees and their familiarity with nondiscrimination policies.

***Ethical Awareness.*** We theorized that these choices are not explicitly perceived as unethical, in keeping with the literature on individuals being *boundedly ethical* (Sezer et al, 2015). Instead, we hypothesized that the mission statement's locomotion vs. assessment language induces managers (and participants as would-be managers) to consider ethical standards more (vs. less) and thus engage in discriminatory choices at different rates depending upon this subtle manipulation, even when controlling for their familiarity with nondiscrimination policies. Not surprisingly, 60% of the violators in the experiment did not knowingly do so, according to our new experimental question regarding the perception of having violated one or more nondiscrimination policies in their responses.

We found that discriminatory decision making is a product of an indirect mediation path involving the consideration of ethical standards rather than a significant difference by condition (Locomotion vs. Assessment vs. Control) in the explicit consideration of ethical standards, as

measured by the nonsignificant degree to which participants acknowledged this as a decision-making factor (based on nonsignificant ANOVA results of  $F(2, 551) = 2.17, p = .141$ ). In summary, Study 3 confirmed experimentally that a) the majority of regulatory mode-induced violators do not do so consciously, and b) the experimental inductions of regulatory mode do not trigger an explicit attention to ethics but rather an implicit one. These unconsciously unethical findings offer support for employees being susceptible to ethical blind spots in their decision making (Bazerman & Tenbrunsel, 2011; Chugh, Bazerman & Banaji, 2005).

## DISCUSSION

Understanding the antecedents of employment discrimination is fundamental to reducing its prevalence in the workplace. Consistent with our theoretical predictions, the results of the archival and experimental studies suggest a strong relationship between the motivational messaging of goal pursuits and the involvement in discrimination. In Study 1's US franchise setting, we first found that discriminating franchises differed from non-discriminating ones according to the degree of locomotion and assessment in their mission statements. We learned that the regulatory mode of mission statements was predictive of discrimination activity: Franchises with mission statements displaying a higher degree of locomotion and lower degree of assessment were significantly more likely to discriminate and involved in significantly more discrimination settlements. A controlled experiment for Study 2 enabled us to isolate regulatory mode as the driver of discrimination, demonstrating that exposure to franchise mission statements with high degrees of locomotion and low degrees of assessment can cause managers to make discriminatory decisions.

Collectively, our findings indicate that motivational messaging can have a powerful influence on managers' day-to-day HR decisions. In fact, the significance of our experimental

results even when controlling for self-reported policy awareness indicates that these motivations—communicated through corporations’ mission statements—may override prior knowledge about the existence of workplace discrimination policies. We observed this phenomenon at work in franchises as these businesses have a profound impact on US employment, with a particularly pernicious effect on at-risk, lower-income workers, despite the franchise industry’s widespread dissemination of EEOC best practices. Although we focused our attention on US franchises, there is reason to believe this paper has theoretical and practical implications for all organizations.

### **Regulatory Mode and Unethical Behavior**

These studies contribute to the literature that resides at the crossroads of regulatory mode and ethics, informing our understanding of the motivational forces behind discrimination by highlighting the role of locomotion and assessment concerns. We apply regulatory mode theory to investigate the organizational context in which individuals engage in an important, unambiguous, and generalizable facet of unethical behavior: violations of corporate ethical standards known as workplace nondiscrimination policies. Going on to examine the interplay between perceived expediency and attention, we extend scholarly research related to cognitive influences on the perpetrators (Dovidio et al, 2002; Lai & Babcock, 2013) and the companies in which they are employed (Cortina, 2008). Importantly, our work sheds light on the conditions under which employees attend to standards deemed key to ethical conduct (Lau, 2010).

By demonstrating the unintended consequences of leadership decisions embodied in corporate mission statements, our work complements predictive research on discrimination that has primarily been devoted to the effectiveness of intended policies and programs (Castilla, 2015; McKay et al, 2011; see Dipboye & Colella, 2005 and Green, 2003 for several exceptions).

The presence of EEOC violations in the face of corporate nondiscrimination policies extends the rich tradition of bounded ethicality research on unintended choices beyond the individual to conceptualize behavior at the organizational level (Chugh et al, 2005). Likewise, we widen the breadth of regulatory mode theory's applicability, establishing the mechanism by which locomotion and assessment concerns can produce significant organizational-level effects through individual decision making (Bélanger et al, 2015).

Exploring the trade-offs inherent in contrasting modes of goal pursuit, we also enrich the growing literature on the “dark side” of goals (Ordóñez et al, 2009; Welsh & Ordóñez, 2014). In doing so, this work likewise informs a more nuanced understanding of locomotion mode. Our theoretical prediction and empirical support for the pernicious effects of locomotion mode lie in stark contrast to the preponderance of regulatory mode literature. Past work has documented a variety of otherwise positive outcomes—involving transformational leadership, intrinsic task motivation, multi-tasking, time-management, and well-being—associated with locomotion (Amato et al, 2014; Benjamin & Flynn, 2005; Di Santo, Baldner, Pierro & Kruglanski, 2018; Pierro et al, 2013; Pierro, Kruglanski & Higgins, 2006).

Our EEOC archival study presented empirical evidence linking regulatory mode to actual managerial transgressions taking place in corporations spanning a wide range of industries that operate throughout the entire United States. These real-world cases of discrimination then served as the decision-making tasks in a controlled experiment that manipulated locomotion and assessment of mission statements. Employing a combination of archival and experimental methodologies, our work represents a marriage of external and internal validity that enhances

both theory and practice in this domain.<sup>42</sup> Ultimately, linguistic applications that modify corporate mission statements for goal pursuit language can answer a recent call “to move beyond a descriptive framework and focus on finding empirically testable strategies to mitigate unethical behavior” (Sezer et al, 2015, p. 78).

### **Practical Implications**

Our findings offer tangible insights, implying that it is insufficient for employers to simply institute nondiscrimination policies if they are to effectively suppress discriminatory behavior in their organizations. The way in which a company pursues its goals can have unintended spillover effects on staffing decisions related to such tasks as hiring, firing, promotion, duty assignment, wage setting, hourly allocations, and even the nature of verbal and physical interactions. A manager motivated by a company’s locomotive mission to essentially “just do it” is significantly more likely to discriminate than one influenced by the assessor mission to “do the right thing”—even when he or she is aware the company has expressed its commitment to workplace diversity and nondiscrimination initiatives. Motivated by a locomotive (rather than assessment predominant) mission, managers will inadvertently violate ethical standards to which they are familiar, jeopardizing the firm’s reputation, diminishing profitability and hindering growth.

The relatively strong effect exerted by our Locomotion mission statement induction against a Control condition underscores the practical necessity for franchise entrepreneurs to consider the potential downside of locomotive goal pursuit (in contrast to those beneficial factors conducive to franchise survival and expansion revealed in the correlational analyses of our

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<sup>42</sup> To date, the majority of studies on ethical behavior has been relegated to lab settings involving various forms of dishonesty (Gino et al, 2011; Mazar et al, 2008; see Bohnet, Van Geen & Bazerman, 2015 and Gino & Pierce, 2010 for exception).

archival study and across other empirical investigations). Our findings point to the fact that corporations must integrate such ethically-conducive considerations into the way they do business, not just separately espouse such principles in standalone documents that live alongside the company's day-to-day activities. More specifically, companies can incorporate these learnings when crafting and reworking their mission statements and other motivational messaging, as well as into their leadership training and continuing education processes. In particular, management can seize the opportunity to balance high locomotion with high assessment motivational messaging under conditions where locomotion is high.

A subtle linguistic intervention based on regulatory mode—i.e. increasing the frequency of assessment terms in a corporate mission statement—may succeed where other motivational attempts have failed (see Shu, Mazar, Gino, Ariely & Bazerman, 2012 for exception). For instance, lack of measurability has proven to be an issue for motivating key stakeholders based on the performance upside of engaging in ethical behavior (O'Connor & Labowitz, 2017), while emphasizing the monetary cost savings derived from preventing violations can actually induce, rather than reduce, unethical behavior (Kouchaki et al, 2013). Regulatory mode adjustments can be implemented while maintaining references to profit and performance that have otherwise been associated with violations of ethical standards (Ghosh, 2008). As Moore & Gino (2013, p. 69) note "...we still know little about how to set goals that encourage high performance while ensuring people keep ethical priorities in mind."

### **Future Directions**

Although our work has the promise of advancing both theory and practice, these studies are not without limitations, which in turn offer fruitful avenues for future research. It is important to acknowledge that EEOC violations represent but one manifestation of regulatory mode's

potential effect on compliance with ethical standards; it remains to be seen whether the effect holds for other forms, such as environmental protections and product safety standards. Next, the EEOC data that serves as the basis for our paper is just the “tip of the iceberg” in terms of actual discrimination that takes place in organizations every day throughout the country. Smaller employers, those with fewer than 15 employees, are not even subject to most EEOC regulations. At larger employers, many incidents are simply not reported due to fear of retaliation or are settled without ever arriving at the EEOC for consideration. With regard to the latter, corporate “gag orders” are common stipulations in discrimination settlement agreements.

In order to reduce reputational disparagement and prevent share price declines, companies often demand that victims agree never to file an action with the EEOC nor otherwise make the details publicly available in exchange for monetary compensation. Without information on all potential allegations, we do not have a full picture of workplace discrimination. Future research can utilize surveys that encourage employees to privately disclose discrimination experiences omitted in the EEOC data. Similarly, this study demonstrated a link between regulatory mode and ethical rule violations, regardless of type.

Additional studies can further investigate nuances of specific types of discrimination to determine whether our effects are enhanced or weakened depending on the nature of the violation committed. Furthermore, experimental studies can randomly assign firms to training in order to determine whether a predominant regulatory mode-neutralizing intervention can work in the field. Such field experiments can also explore whether behavior is significantly reduced in female managers as they are already far less likely to discriminate.

## CONCLUSION

Despite widespread reform, discrimination persists in corporations operating across industries throughout the United States. As companies' tenure and size increase over time, so does the probability that one or more of their employees will be involved in some type of workplace discrimination settlement. But there is a way for companies to grow conscientiously by fostering a consideration for ethical standards. This paper sheds light on a previously unexplored yet consequential influence on workplace discrimination: the regulatory mode of goal pursuit. In addition to adopting explicit policies against discrimination, growing companies can also lessen their vulnerability to discrimination by embracing a more thoughtful approach to their motivational messaging. Our findings suggest that locomotion and assessment can operate as countervailing forces in a mission statement to limit the corporation's discrimination exposure: Rather than merely motivating employees to get things done, companies can motivate them to get things done the right way.

**Table 1: Archival Sample Descriptive Summary**

Non-discriminating Franchises	411
Discriminating Franchises	148
Avg. Reported Settlement per Franchise	\$1,712,849
Avg. No. Settlements per Franchise	1.75
Avg. Retaliation = 1	0.20
Avg. Franchise Age (Yrs)	37.4
Avg. Status (Public=1)	0.25
Avg. Number of Employees	18,874
Avg. Number of Locations	878
Number of Industries Served	11
Avg. CEO Gender (Female=1)	0.10
Sales (\$Bn)	\$50.23
Days Training @ HQ	10.54

**Table 2: Archival Study Variable Statistics**

	Mean	SD	1	2	3	4	5	6	7	8	n
1 Discrimination	0.26	0.44		0.22***	-0.18***	0.27***	0.52***	0.45***	0.38***	-0.08+	559
2 Locomotion	1.49	1.75			-0.08+	0.69***	0.16***	0.08+	0.07	-0.02	559
3 Assessment	0.99	2.02				-0.78***	-0.08*	-0.09*	-0.06	0.04	559
4 Predom RM	0.50	2.77					0.16***	0.12**	0.08*	-0.04	559
5 Franchise Age	37.40	27.19						0.40***	0.32***	-0.08+	559
6 Employee	18874	48213							0.44***	-0.03	559
7 Location	878	1972								0.04	559
8 CEO Gender	0.10	0.30									559

*Discrimination (Violation=1); Predom RM (Loco-Assess); Franchise Age reflects years; Employee and Location reflect counts; CEO Gender (Female=1). <sup>+</sup>p < .10; \*p < .05; \*\*p < .01; \*\*\*p < .001.*

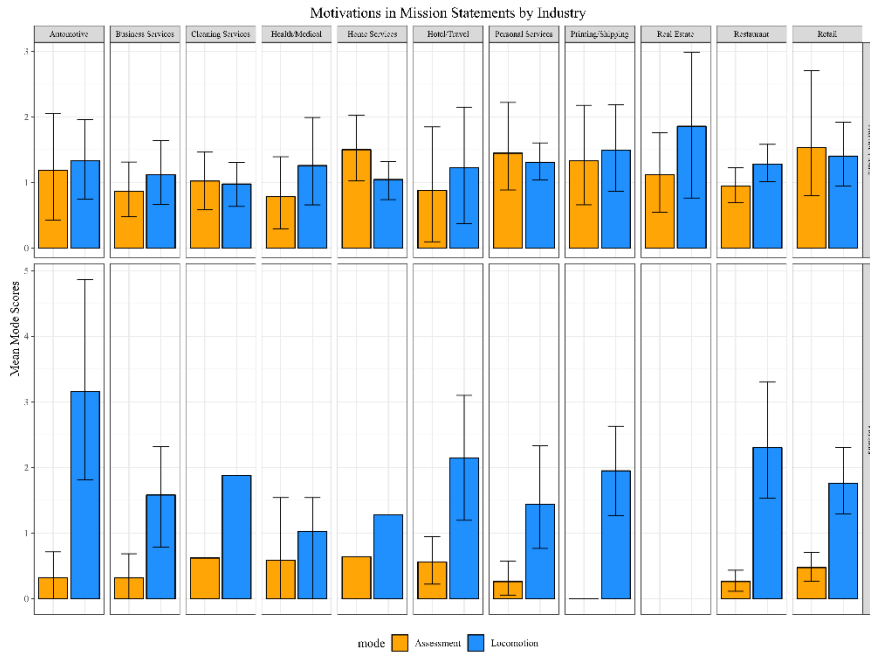
**Table 3: Archival Study Regression Results**

	Franchise Discrimination Activity					
	1	2	3	4	5	6
	Likelihood			Frequency		
Predominant RM	0.37*** (0.06)	0.36*** (0.06)	3.10*** (6.85)	0.07*** (0.02)	0.07*** (0.02)	3.73** (1.18)
Control Set 1:						
<i>Industry Code</i>		0.11*** (0.03)	1.08** (4.05)		0.04** (0.01)	2.24* (10.00)
<i>CEO Gender</i>		-0.66 <sup>+</sup> (0.39)	-5.06 (4.73)		-0.23 <sup>+</sup> (0.14)	-2.12* (1.07)
Control Set 2:						
<i>Age</i>			3.52*** (5.51)			8.50*** (1.33)
<i>Employees</i>			2.09*** (5.74)			4.37*** (7.87)
<i>Locations</i>			2.75** (1.04)			1.90*** (1.85)
Constant	-1.34*** (0.12)	-2.10*** (0.28)	-4.17*** (4.29)	0.42*** (0.04)	0.18 <sup>+</sup> (0.10)	-2.59** (8.94)
Number of	559	559	559	559	559	559
Log-likelihood	-293.05***	-287.50***	-193.92***			
Pseudo R <sup>2</sup>	0.09***	0.11***	0.40***			
R <sup>2</sup>				0.04***	0.06***	0.44***

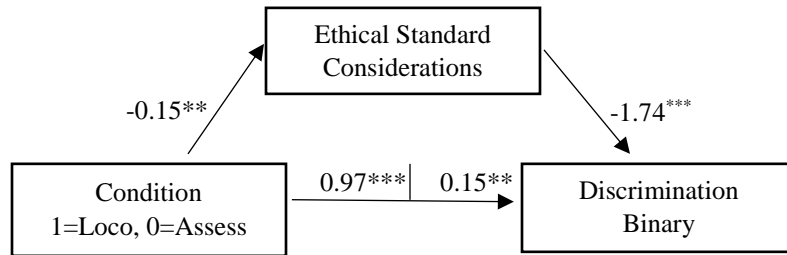
*Coefficients reported with standard errors in parentheses clustered at franchise level;*

<sup>+</sup>p < .10; \*p < .05; \*\*p < .01; \*\*\*p < .001.

**Figure 1: Archival Study Industry Breakdown**

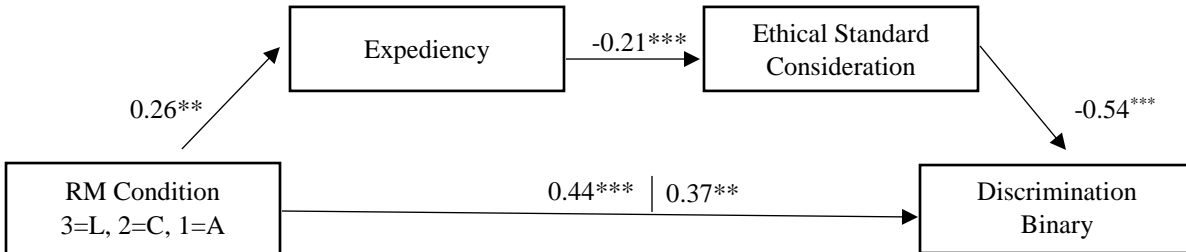


**Figure 2: Experimental Mediation Path**



*Indirect Effect = 0.27\*\*; SE = 0.10; CI95 = 0.11, 0.50, controlling for familiarity with nondiscrimination policies, relevant work experience and age. \*p < .05, \*\*p < .01; \*\*\*p < .001.*

**Figure 3: Serial Mediation Path**



*Serial mediation between RM condition (L=Locomotion, C=Control, A=Assessment) and Discrimination binary through expediency and consideration of ethical standards, controlling for familiarity with nondiscrimination policies, relevant work experience, as well as chronic locomotion vs. assessment measures. Indirect Effect = 0.03\*; SE = 0.01; CI95 = 0.01, 0.06.*

*\*p < .05, \*\*p < .01; \*\*\*p < .001.*

**Table 4: Experimental Results Summary**

Experimental Discrimination Activity												
Model:	1	<i>p-val</i>	2	<i>p-val</i>	3	<i>p-val</i>	4	<i>p-val</i>	5	<i>p-val</i>	6	<i>p-val</i>
<b><i>Versus Control:</i></b>	<b>Likelihood Estimate</b>						<b>Frequency Estimate</b>					
Locomotion	0.47	.059	0.46	.066	0.47	.062	0.24	.018	0.22	.024	0.22	.025
	(0.25)		(0.25)		(0.25)		(0.10)		(0.10)		(0.10)	
Assessment	-0.39	.082	-0.42	.066	-0.42	.061	-0.15	.124	-0.16	.095	-0.17	.091
	(0.22)		(0.23)		(0.23)		(0.10)		(0.10)		(0.10)	
Controls 1: Background												
<i>Policy Awareness</i>			-0.67	.085	-0.65	.094			-0.41	.003	-0.41	.003
			(0.39)		(0.39)				(0.14)		(0.14)	
<i>General HR Experience</i>			0.44	.061	0.43	.065			0.20	.034	0.19	.035
			(0.23)		(0.23)				(0.09)		(0.09)	
<i>Industry Experience</i>			0.15	.444	0.13	.496			0.02	.846	0.01	.888
			(0.19)		(0.20)				(0.08)		(0.08)	
Controls 2: Chronic Mode												
<i>Chronic Locomotion</i>					-0.08	.524					0.02	.778
					(0.13)						(0.05)	
<i>Chronic Assessment</i>					0.10	.428					0.02	.712
					(0.13)						(0.06)	
Constant	0.92	<.001	1.36	<.001	1.33	.101	1.13	<.001	1.45	<.001	1.31	<.001
	(0.17)		(0.41)		(0.81)		(0.07)		(0.15)		(0.33)	
Number of observations	554		554		554		554		554		554	
Log-likelihood	650.5		642.3		641.4							
<i>R</i> <sup>2</sup>							0.03		0.05		0.05	
<i>F</i> statistic							8.10	<.001	6.13	<.001	4.40	<.001

## Appendix A: Regulatory Mode Dictionary

Locomotion				Assessment			
1	Act_	18	Launch_	35	Accura_	52	Observ_
2	Can't wait	19	Lead_	36	Alternat_	53	Perfect_
3	Chang_	20	Make_	37	Assess_	54	Ponder_
4	Dare_	21	Mobil_	38	Calculat_	55	Procrastinat_
5	Do it	22	Momentum	39	Careful_	56	Question_
6	Doer_	23	Motion	40	Compar_	57	Reconsider_
7	Done	24	Mov_	41	Consider_	58	Reflect_
8	Drive_	25	Obstacle_	42	Consult_	59	Regret_
9	Dynami_	26	Proceed_	43	Correct_	60	Review_
10	Elimin_	27	Quick_	44	Criti_	61	Right
11	Fast_	28	Reduc_	45	Detail_	62	Ruminat_
12	Flow_	29	Reject_	46	Evaluat_	63	Think_
13	Get_	30	Remov_	47	Examin_	64	Thorough_
14	Go	31	Smooth_	48	Exhaustive	65	Thought_
15	Going	32	Speed_	49	Judg_	66	True_
16	Hurr_	33	Start_	50	Methodical	67	Truth_
17	Initiat_	34	Urg_	51	Meticulous_	68	Unsure

*Reflects the roots uploaded into LIWC software to allow for derivations and tenses of the words.*

## Appendix B: Mission Statements

Locomotion	Assessment
<p style="text-align: center;"><i>At Fast Speed, Inc., we are doers in a hurry to become the market leader in our field. This means delivering results as quickly as possible. Our franchise has a ton of momentum, and we have eliminated any obstacle that has come our way in order to move smoothly. We are driven to change the industry and can't wait to share this movement with others. Are you someone who likes to get things done and mobilize people? Because we're seeking action-oriented managers with dynamic personalities who dare to make an impact by taking initiative. If you're ready to join our launch team, we urge you to get started!</i></p>	<p style="text-align: center;"><i>At Thoughtful Care, Inc., we are thinkers who consider ourselves to be the most thorough provider in our field. This means evaluating every possible alternative for our customers. Our franchise is perfecting this process by taking a consultative approach to give stakeholders the most correct and accurate information possible. We're curious about our customer needs, observing and meticulously reviewing their preferences. Are you someone who likes to do the right thing, even when no one's watching? Because we're considering detail-oriented managers with a critical eye who ask questions and always search for the truth! If you're a methodical person pondering a career choice, we suggest you consider this opportunity!</i></p>

## Appendix C: Workplace Scenarios

<b>S</b> <b>1</b>	Employee 1 was hired as a food prepper at one of your franchise locations. This employee had comparable prior experience working at a similar fast food restaurant. You later noticed that Employee 1 had disclosed a medical condition on the application. Inquiring as to the medical condition, you found out that Employee 1 is HIV positive. The virus is not readily transmitted via food. (Pick One).
<b>S</b> <b>2</b>	Employee 2 is a 61 year-old who has worked for your retail store for years, performing well and without incident. As a sales manager, Employee 2's role entails meeting sales targets, as well as utilizing software to perform account analysis and forecast future sales. You recently learn that the retail store's sales software is being upgraded to a cutting-edge platform. A 24-year old qualified candidate with all the requisite software and sales skills has just applied to work at the store. (Pick One).
<b>S</b> <b>3</b>	Employee 3 was verbally offered a position in a janitorial capacity at one of your home improvement warehouse locations. This role entails hauling trash to the dumpster, emptying large receptacles of scrap metal and wood, as well as sweeping and mopping floors of fork lift debris. Upon receipt of the draft employment letter, the applicant affirmed her interest and ability to physically perform the job duties by email and sought to ask a few questions regarding the potential offer. About two hours later, the applicant spoke with your assistant and inquired about maternity benefits because she is pregnant. (Pick One).

### Appendix D: Alternate Mission Statements<sup>43</sup>

Locomotion	Assessment
<p><i>At Fast Speed, Inc., we are doers in a hurry to become the market leader in our field. This means delivering results as quickly as possible. Our franchise has a ton of momentum, and we have eliminated any obstacle that has come our way in order to move smoothly. We are driven to change the industry and can't wait to share this movement with others. Are you someone who likes to get things done and mobilize people? Because we're seeking go-getter managers with dynamic personalities who dare to make an impact by taking initiative. If you're ready to join our launch team, we urge you to get started!</i></p>	<p><i>At Thoughtful Care, Inc., we are thinkers who consider ourselves to be the most thorough provider in our field. This means evaluating every possible alternative for our offerings. Our franchise is perfecting this process by taking a consultative approach to provide the most accurate and exhaustive information possible. We're curious about our product needs, observing and meticulously reviewing market preferences. Are you someone who likes to think things through, examining all aspects of an issue? Because we're considering detail-oriented managers with a critical eye who ask questions and always search for the truth. If you're a methodical person pondering a career choice, we suggest you consider this opportunity.</i></p>

### Appendix E: Control Condition

Control
<p><i>At International Holdings, Inc. we are hard workers who enable members to meet all of their lifestyle needs. This means giving people access to many offerings. We are an established franchise that enjoys consuming all the food and drinks we offer others. Our company is as solid as the offerings we serve, and we are serious about providing people with our patented products. The franchise has a proven operating model and is dedicated to keeping our product lines as simple as possible. We give franchisees the ability to set up their franchises and working teams. We are looking for experienced managers with even-keeled dispositions to fulfill these roles.</i></p>

### Appendix F: Alternate Workplace Scenarios<sup>44</sup>

S 1	Employee 1 was hired as a food prepper at one of your franchise locations. This employee had comparable prior experience working at a similar fast food restaurant. You later noticed that Employee 1 had disclosed a medical condition on the application. Inquiring as to the medical condition, you found out that Employee 1 is HIV positive. The virus is not readily transmitted via food. (Pick One).
S 2	You recently learn that the retail store's sales software is being upgraded to a cutting-edge platform. You are looking for a sales manager whose role entails meeting sales targets, as well as utilizing this software to perform account analysis and forecast future sales. A 61 year-old prospect who has worked in a similar sales capacity for a retail store for many years, performing well and without incident, has just applied to work at the store. (Pick One).
S 3	Employee 3 was verbally offered a position in a janitorial capacity at one of your home improvement warehouse locations. This role entails hauling trash to the dumpster, emptying large receptacles of scrap metal and wood, as well as sweeping and mopping floors of fork lift debris. Upon receipt of the draft employment letter, the applicant affirmed her interest and ability to physically perform the job duties by email and sought to ask a few questions regarding the potential offer. About two hours later, the applicant spoke with your assistant and inquired about maternity benefits because she is pregnant. (Pick One).

<sup>43</sup> Each 108 words in length, the new primes are devoid of regulatory mode language, as well as any action, bottom line mentality, and ethical priming, including consistency for references to stakeholders.

<sup>44</sup> Scenario 2 verbiage has been updated to enable a balance in the scenario options with regard to action (e.g. Scenario 2's discriminatory choice is now inactive, while the nondiscriminatory choice is now active).

## CHAPTER 3

### Motivated to Break or to Build? Entrepreneurial Identities Affect Who Starts and Stays

#### ABSTRACT

Entrepreneurs often evoke unique social identities in an effort to attract and retain resources like key talent for their startups. Yet we have more to learn about the specific social identities with which entrepreneurs identify, while even less is known about what consequences this identification has for startup teams. Across an observational study and a controlled experiment, we find evidence for the benefits of “identity matching.” Alignment between an individual entrepreneur’s social identity and that of a startup predicts entrepreneurs will select into and stay longer with a given startup than identity misalignment. A linguistic analysis of several thousand entrepreneurial narratives on LinkedIn reveals two distinct entrepreneurial archetypes: those who describe themselves as “disrupters” (motivated to drastically break with the status quo) and those who consider themselves to be “builders” (motivated to incrementally improve upon an offering). Both the observational and experimental results suggest that builders are associated with significantly longer tenure rates than disrupters. These findings are consistent even when controlling for disrupters’ higher degrees of serial entrepreneurship than builders’. In uncovering these unique social identities, we also discuss their respective associations with previously theorized entrepreneurial role identities.

**Keywords:** identity, role identity, social identity, entrepreneurship, self-regulation, human capital, teams, selection, tenure, retention.

Chapter 3 builds upon earlier work conducted in collaboration with Sheena S. Iyengar; see Kanze, D., & Iyengar, S. S. (2017). Startups That Seek to “Disrupt” Get More Funding Than Those That Seek to “Build”. *Harvard Business Review*, November 24 (2017).

## INTRODUCTION

*“...Investments in our human capital are going to be as important as investments in technology in the future”* —Arianna Huffington, Founder of professional wellness startup Thrive Global.

*“99.9% of tech CEOs I talk to say what keeps them up at night is how to attract and retain talent rather than, say, how to improve the code base.”*—Abby Sorensen, Chief Editor of Software Executive Magazine (Telephonic Interview, February 28, 2019).

An organization’s ability to attract and retain human capital resources is critical to sustained performance and competitive advantage (Cascio, 2003; Heneman & Judge, 2003; Gberville, 2008; Pfeffer, 2005). The Society for Human Resource Management estimates that 42 million or 25% of U.S. employees leave their jobs each year to work for another company, costing U.S. employers an annual \$600 billion to replace them (The SHRM Employee Benefits Report, 2018). Aside from these direct expenses associated with turnover, corporations incur a variety of adverse indirect consequences, such as decreased productivity (The Allied Workforce Mobility Survey, 2012), knowledge loss (Urbancová & Linhartová, 2011), reduced customer service quality (Curtis and Wright, 2001), as well as lack of motivation and morale for survivors (Gawali, 2009).

According to SHRM (2018), 77% of those who voluntarily leave organizations could somehow have been retained by their employers. Among the list of motivational forces that Maertz Jr. and Griffeth (2004) establish as factors contributing to voluntary turnover is the degree of organizational identification—or extent to which employees are able to internalize an organization’s identity as their own. Drawing upon the social identity or “SIDT” literature, this identification can be conceptualized as how an individual’s self-concept and social significance

are derived from membership in a particular group (Tajfel, 1978). Research has shown that articulating an identity and aligning a team behind that identity are key factors for attracting and motivating human capital, but the paths by which this alignment occurs have been underexplored (Vardaman, Allen & Rogers, 2018).

This knowledge has particularly meaningful implications for startups as the cultivation of an entrepreneurial identity<sup>45</sup>—or how key team members define and identify with their entrepreneurial selves—affects a startup's ability to acquire and retain resources like human and financial capital (Fisher & Kotha, 2015; Hoang & Gimeno, 2015). We can expect human capital effects to be that much more pronounced in the context of startups, which are typically unable to motivate employees through the traditional means of established corporations. Startups often lack the brand name and cache, as well as the comprehensive compensation packages, of larger and more seasoned companies that can offer competitive base pay, signing and year-end bonuses, 401K plans, benefits, and stock options to attract the crème de la crème of the talent pool (Greer, Carr & Hipp, 2016; Messersmith, Patel & Crawford, 2018).

As such, early stage ventures tend to rely heavily on an organizational identity when recruiting new team members and pitching themselves to external stakeholders, helping to compensate for the illegitimacy discount they often incur (Cornelissen & Clarke, 2010; Navis & Glynn, 2011; van Werven, Bouwmeester & Cornelissen, 2015; Wry, Lounsbury & Glynn, 2011). In the broader tradition of socio-cognitive research, identity theory offers explanatory power for the heterogeneity that we tend to observe in entrepreneurial motivations (Hmieleski & Baron,

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<sup>45</sup> To clarify, this paper is concerned with social identity in entrepreneurship at both the individual and team level, capturing behavior driven by identification with a collective [group of entrepreneurs]. We observe how entrepreneurs consider themselves in relation to other entrepreneurs in the social space of entrepreneurship (see Pan, Gruber, and Binder, 2019: 213; Stets and Burke, 2000).

2009; Powell & Baker, 2014; Sapienza, Korsgaard & Forbes, 2009). One camp within the entrepreneurship literature sheds light on the topic of identity by theorizing there are three role identities specific to entrepreneurs, each linked to unique activities: “inventors” engaged in exploratory activities, “founders” engaged in commercializing activities, and “developers” engaged in growth activities (Cardon, Wincent, Singh & Drnovsek, 2009; also see Breugst, Domurath, Patzelt & Klaukien, 2011 for test of mechanisms).

This role perspective referred to as IDT in the identity literature answers the question: “Who am I in this particular role?” in contrast to the social perspective or SIDT in the identity literature that instead answers the question: “Who am I as a member of a social group?” (Stryker, 1980; Tajfel, 1978). Within the identity perspective, social identity theory has been recognized as a particularly useful tool to help explain variation in the goals that entrepreneurs embrace, representing fertile ground for our inquiries and contributions (Choi & Gray, 2008; Fauchart & Gruber, 2011; Pan, Gruber & Binder, 2019). Despite this evidence and the aforementioned importance of startups’ social identity in attracting and retaining resources, researchers have not sufficiently investigated its interplay with role identity for the effect on startups’ human capital outcomes.

As scholars have increasingly urged for the union of IDT and SIDT approaches since the early 2000s (Ashforth, 2000; Deaux & Martin, 2003; Fauchart & Gruber, 2011), we build on recent traction at the intersection of these two streams (Powell & Baker, 2014, 2017) by connecting founders’ role identities with social identities to explore consequences for startup talent at both the individual and firm levels. In exploring this intersection, we address the following considerations:

*How do entrepreneurial role identities correspond to social identities?*

*How do these social identities influence selection into startups?  
How can social identities impact retention and tenure for startups?*<sup>46</sup>

Research reveals that unique identities are communicated through the language that startups use, which can manifest in the form of framing, narratives, and other storytelling techniques (Aldrich & Fiol, 1994; Boje & Smith, 2010; Gartner, Carter & Gerald, 2003; Lounsbury & Glynn, 2001; Martens, Jennings & Jennings, 2007; O'Connor, 2004; Santos & Eisenhardt, 2004); this language can enrich theory through its aggregation and interpretation (Gartner, 2010; Shepherd & Sutcliffe, 2011). Embracing a mixed methods approach, we performed a linguistic analysis of entrepreneurial narratives using a multi-sourced observational data set to find evidence that entrepreneurial role identities are associated with distinct social identities. More specifically, we found that entrepreneurs differ along the dimension of whether they manifest the social identity of a “disrupter,” motivated to drastically break with the status quo, or a “builder,” dedicated to incremental improvement over time. These social identities map to the theorized identities of “inventors” and “developers,” respectively (Cardon et al, 2009).

Coupling this observational study with a controlled experimental manipulation, we found consistent evidence for “identity matching” as a driver of selection and retention, with those who self-identify as disrupter or builder being significantly more likely to align with a startup of the same identity. We went on to find that startups dominated by disrupters exhibit significantly lower average tenure rates than those dominated by builders. The experimental setting reinforced our observational findings, indicating those who desire to work for startups with a builder

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<sup>46</sup> Note that we are concerned with two separate yet related human capital outcomes of retention (whether or not team members stay) and tenure (how long they stay) in this chapter.

identity are willing to remain for significantly longer periods of time than those attracted to startups with a disrupter identity.<sup>47</sup>

We make several theoretical contributions with this chapter: Our work answers recent calls for “additional research into the effects of a broader set of motivational drivers of entrepreneurship—factors that can capture the differences that exist between entrepreneurs and non-entrepreneurs<sup>48</sup>, shed light on differences between groups of entrepreneurs with their own distinct motives, and help integrate the complex and sometimes contradictory findings of previous work” (Fox & Wade-Benzoni, 2017: 168; also see Shepherd, Williams & Patzelt, 2015). In doing so, we address Cardon and colleagues’ insistence on empirical examination of meaningful role identities and their impact on entrepreneurial persistence (Cardon et al, 2009: 527). But we also move beyond the more typical investigation of role identity alignment to explore alignment based on social identity. The disruptive versus builder identities we unearth likewise help enrich the economics literature that continues to evolve—from the traditional Schumpeterian perspective on entrepreneurship propelled by the “gales of creative destruction” (Schumpeter, 1950: 83) to more recent work encompassing the motivation to incrementally build support for newly introduced products and services (Shane, 2003; Shane, Locke & Collins, 2003, Shane & Venkataraman, 2000, 2007)—a discovery that, in parallel, also helps to inform which entrepreneurs pursue exploratory versus exploitative objectives (March, 1991).

In doing so, we a) contribute to the literature on entrepreneurial motivation by uncovering nuanced manifestations of intrinsic motivation associated with two distinct social identities; and

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<sup>47</sup> The focus of this research is on key team members of startups, both as individuals and NVTs (new venture teams).

<sup>48</sup> Note that we conducted a linguistic study via a field exercise that determined entrepreneurs ( $N = 110$ ) utilize distinct words when describing their values *vs.* non-entrepreneurs ( $N = 144$ ). Their word use differed along the dimension of the motivation to disrupt *vs.* build (with entrepreneurs displaying significantly higher incidence of these words than non-entrepreneurs), helping to inspire this set of studies.

b) advance the human resource literature by demonstrating how the behavior of identity alignment can have consequences for resource acquisition and retention. As Locke and Latham noted not long ago, insufficient attention has been devoted to the sources, content, and effects of motivation, exploring values, personality, and goals at this team level (Locke & Latham, 2004). From a level-of-analysis perspective, we also contribute to the “NVT” or new venture teams<sup>49</sup> literature, demonstrating how individual differences can have existential team-level consequences for firms. As Powell and Baker reflected recently, we have far more to learn about how teams of multiple founding members work and remain engaged based on identity as studies have predominantly focused on single founders (Powell & Baker, 2017).

## **THEORETICAL DEVELOPMENT**

At its most basic level, identity theory helps us to explain how we as individuals come to ask and answer the question “Who am I?” (Burke & Reitzes, 1981, 1991; Gruber & MacMillan, 2017; Stryker & Burke, 2000). In essence, we come to terms with who we are through our ongoing interactions with others and awareness of how they see us (Cooley, 1902; Mead, 1934; Stryker, 1980). Two competing streams within the social psychology of identity have emerged over time (Hogg, Terry & White, 1995; Petriglieri, 2011; Powell & Baker, 2014)—namely that of identity theory “IDT” dedicated to role identification with underpinnings in sociology (Burke, 2006; Burke & Stets, 2009; Stryker, 1980; Stryker & Burke, 2000) and that of social identity theory “SIDT” with its roots in psychology (Ashforth, Harrison & Corley, 2008; Tajfel, 1978; Tajfel & Turner, 1979; Tajfel & Turner, 1986).

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<sup>49</sup> New venture teams defined as “the group of individuals that is chiefly responsible for the strategic decision making and ongoing operations of a new venture” (Klotz, Hmieleski, Bradley & Busenitz, 2014: 227).

In terms of role identity (IDT), Cardon and colleagues summarized various definitions in the literature as predominantly referencing “internalized expectations about those characteristics individuals hold as central, distinctive, and enduring about them and that are at least partially reflected in the roles they enact” (Cardon et al, 2009: 516; also see Burke & Reitzes, 1991 and Stryker, 1980). With regards to social identity (SIDT), we can rely on the Tajfel (1978: 63) definition as “that part of an individual’s self-concept which derives from group (or groups) together with the value and social significance attached to that membership.” As Powell and Baker (2014: 1408) noted when citing Ashforth and colleagues’ earlier work, “In SIDT, individuals identify with a social category or group—and these may be broad, such as nationality or ethnicity, or narrower, such as ‘social progressive’ or ‘good neighbor.’”

Importantly, Cardon and co-authors (2009: 516) recognized that “role identities put people into social categories,” suggesting it may be worthwhile to explore the link between role and social identity. This represents an opportunity to enrich the melding tradition spearheaded by Ashforth in 2000, continuing in the vein of Powell and Baker who recently united the two camps by demonstrating that SIDT’s social identities can “create aspirations for founders to run their firms in ways that create the ‘role identities’ examined in IDT” (Powell & Baker, 2014: 1407). These scholars theorized and showed how role identities can enable the expression of social identities among founder-operators of firms in the textile industry (Powell & Baker, 2014).

Despite providing theoretical basis for the salience of social identities among founders, prior work has either been narrow in scope (see Powell and Baker’s social identities specific to textile and apparel firms, e.g. “Textile Believer”) or archetypal in nature (see Fauchart & Gruber, 2011’s introduction of three social identities of “Darwinians,” “Missionaries,” and “Communitarians”). Based on the literary links between role and social identities and the

precedent for social identity salience among founders, we have reason to hypothesize that a middle ground of social identities in entrepreneurship may have thus far been overlooked—one that can be probed by leveraging the aforementioned three basic entrepreneurial role identities theorized by Cardon and colleagues (2009) and extended theoretically and empirically since then by scholars publishing in the tradition of entrepreneurial cognition and identity (Mathias & Williams, 2017; Murnieks & Cardon, 2019; Murnieks, Cardon & Haynie, 2018; Murnieks, Mosakowski & Cardon, 2014).

When mapping role to social identities, we can draw on the body of literature that allows for the potential salience of multiple distinct founder identities (Cardon et al, 2009; Fauchart & Gruber, 2011; Shepherd & Haynie, 2009), in contrast to the singular founder identity perspective favored by such scholars as Murnieks & Mosakowski in their 2007 work. Notably, Cardon and colleagues (2009: 516) considered lack of identity dominance and/or identity conflict as a possibility in their foundational work, theorizing that “some entrepreneurs may be equally passionate about all three [role identities], whereas others may weigh one identity as significantly more meaningful to them” but went on to contend that “at any given time, the relative importance of role identities is stable, making an entrepreneur’s self-meaning temporally both distinctive and coherent.” Given the fact that both identity distinctiveness and association theoretically emerge as empirical questions in prior literature, we have reason to investigate whether there is support for the following hypothesis:

*Manifestation Hypothesis (1):* Entrepreneurs will exhibit distinct role identities, which will be associated with distinct entrepreneurial social identities.

A broad array of scholarly perspectives suggests we theorize that identity alignment will result in positive outcomes with regard to human capital. Literature in the tradition of sociology

has long established that self-role distance is not pleasant for an individual or the organization for which he/she works Goffman (1959). The literature on authenticity—conceptualized as being real, genuine and true to oneself—separately recognizes that a subjective alignment between the internal and external self<sup>50</sup> predicts positive cognitive and affective consequences; conversely, mismatch is maladaptive due to the strain of cognitive and emotional load related to impression management, self-monitoring and other forced attempts at conformity (Lehman, O'Connor, Kovacs & Newman, 2018; Roberts, Cha, Hewlin & Settles, 2009). In fact, recent work at the intersection of authenticity and identity has established that “identities entail beliefs about desirable behaviors that are experienced as fundamental to one’s self and create feelings of authenticity when enacted” (Wry & York, 2017: 440; also see Hitlin, 2003), while others have posited that this authenticity-driven fit may play a role in identity development (Burke & Stets, 2009). And scholars have expressed interest in future work on founders’ need for fit between how they are perceived by others and their sense of who they truly are (Powell & Baker, 2014: 1430).

Likewise, the literature on self-regulation—or coordination of one’s emotional, motivational, cognitive, and behavioral resources towards the pursuit of goal-directed processes (Scheier & Carver, 1988; Shane & Venkataraman, 2000)—makes similar predictions for the detrimental consequences surrounding the challenges when one is faced with goal misalignment (see Barron, 2003’s “It’s All About Alignment”). As Latham (2003: 317) notes with regard to the awareness, appreciation, and measurement of goal attainment, “If there is a misalignment, dysfunctional behavior is all but guaranteed.” Separately, research on regulatory fit between

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<sup>50</sup> We define the distinction between one’s internal and external self as the difference between an individual’s sense of who he/she truly is and how he/she is perceived by others based on Powell and Baker, 2014: 1430.

regulatory orientation and preferred goal attainment strategy demonstrates that alignment increases engagement regarding a given task; intensifies the perceived value of a chosen object, e.g. one's job; and generates a feeling of rightness regarding the goal pursuit—essentially, when there is alignment, it just feels right, whereas fit violation simply feels wrong (Conley & Higgins, 2018; Higgins, 2000, 2006).

Perhaps most relevant and compelling a case for the motivational properties of identity-consistent behavior is made by the identity literature itself (Wry & York, 2017), although to-date this research has fallen short of exploring outcomes of talent acquisition and retention. For instance, we have known for quite some time that social identity theory can help to explain organizational behaviors and actions (See Gioia, 1998 for historical perspective). During the 1990s, Burke and Reitzes (1991) established that one's "active self" will continuously seek engagement with activities that confirm one's salient identity(s), disengaging from any identity-disconfirming activities.

Scholars have consistently contended that individuals derive psychological benefit and a sense of self-worth from identity and behavioral congruence (Gruber & MacMillan, 2017; Hogg, Terry & White, 1995; Stets & Burke, 2000; Tajfel & Turner, 1979). Likewise, researchers continue to cite the destructive impact of identity conflict (Fauchart & Gruber, 2011; Powell & Baker, 2017), highlighting coping mechanisms (like divergent goal rationalization, goal-related negotiation, and meta-level identity establishment) employed to navigate adverse consequences related to well-being, decision making, and performance (Fauchart & Gruber, 2011; Shepherd & Haynie, 2009; Wry & York, 2017). And recent identity scholarship has acknowledged that individuals are motivated to sustain the way in which they see themselves by engaging in activities and interacting with others in ways that maintain and confirm their expectations of a

particular role and its salient social categorization (Cardon et al, 2009: 516-517; Murnieks & Cardon, 2019; Murnieks, Cardon & Haynie, 2018).

Once a given role identity is activated, an entrepreneur's self-regulation processes are then readied towards the pursuit of a relevant entrepreneurial goal (Cardon et al, 2009: 518). The literature has come to acknowledge that cognitions and emotions are mobilized in unison to regulate behavior toward entrepreneurial goal pursuit (Cardon et al 2009: 522; Damasio, 2003; Tuan Pham, 2004). Scholars in this domain provide consistent support for the motivational influence of a distinct and salient role identity, driving entrepreneurs to engage with role activities while deriving positive affect in doing so (Burke & Reitzes, 1981, 1991; Cardon et al, 2009). In fact, entrepreneurs are believed to experience "intense excitement" as a consequence of pursuing "deeply internalized goals," devoting themselves to activities that reinforce those goals (Cardon et al, 2009: 521). Applying knowledge from neuropsychology, identity-aligning emotions and motivational resources are essentially labeled and stored as positive and subsequently reinforced, while those that are misaligned are tagged with avoidance links and subsequently discarded (Burke & Reitzes, 1991; Cardon et al, 2009; Schwarz & Clore, 2007).

Cardon and colleagues separately theorized the emergence of a positive affective byproduct of engagement with an entrepreneurial role in the form of passion, which can be unlocked from the connection of one's role to a "meaningful and salient self-identity" for the individual (Cardon et al, 2009: 516; also see Murnieks & Mosakowski, 2006 for basis). In the aptly entitled work "Who Am I," Murnieks and Mosakowski (2007) went on demonstrate that the extent to which this entrepreneurial identity is salient can help determine how much time an entrepreneur ultimately invests in a given venture. Cardon and colleagues likewise theorized that such positive productivity outcomes as higher levels of persistence are associated with goal-

setting activities that validate one's internalized salient identity (Cardon et al, 2009: 523-524; also see Cardon & Kirk, 2015 for empirical evidence). Subsequent work has found support for positive affect and goal clarity mediating the relationship between entrepreneurial passion and commitment to entrepreneurial initiatives (Breugst et al, 2011).

The intuition is that individuals are motivated to persist in identity-reinforcing activities as those are pleasurable in terms of providing prolonged positive affect and being imbued with profound meaning; persistence simultaneously serves the purpose of reducing any identity threats associated with role abandonment (Cardon et al 2009: 521). Prior literature suggests that this persistence is fueled by goal commitment, whereby entrepreneurs are motivated to continuously strive for goal pursuit when positive emotions activate and enforce their identity-relevant goals (Baron & Ward, 2004; Burke & Reitzes, 1991; Cardon et al, 2009: 524; Curtis & Wright, 2001; Drnovsek, Cardon & Patel, 2016; Locke & Latham, 2004). Since these scholars recognized that founders are motivated to invest time and persist in their efforts whenever they can socially validate themselves through their identities (Cardon et al, 2009), it makes sense that entrepreneurs would join<sup>51</sup> and stay with startups that enable social validation through social identity alignment.

This presents an opportunity to build on multidisciplinary momentum exploring not only the antecedents but also the consequences of venture identity (Duane Ireland & Webb, 2007; Essers & Benschop, 2009; Iyer, 2009; Jain, George & Malterich, 2009; Powell & Baker, 2014). In terms of consequences, scholars have recently begun to investigate how entrepreneurial identities can motivate one to leave a current role and pursue a new venture (Farmer, Yao &

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<sup>51</sup> Importantly, “joiners” include both founding and non-founding members of the startups throughout this chapter.

Kung-Mcintyre, 2011; Hoang & Gimeno, 2010). In the vein of Baron (2008), Cardon and colleagues' work (2009: 512) deliberately focused on implications for individual entrepreneurs rather than for entrepreneurial teams, while subsequent work in this vein has transitioned to explore new venture team performance (Cardon, Post & Forster, 2017; Santos & Cardon, 2018). But a team-level gap in the literature remains, one that we can help fill by connecting individual to team social identity. When motivating their own contributions pertaining to the emergence and negotiation of a founding team's collective identity, Powell and Baker recently noted that prior "Researchers have examined neither how deeply rooted but non-obvious identity dynamics may shape the interactions and outcomes of founding teams nor how nascent ventures might move toward identity homophily and with what consequences" and went on to elaborate that "...prior work has not examined how founder identity differences and similarities may affect these emergent [NVT team cohesion] processes" (Powell & Baker, 2017: 2384).

At the firm level of impact, we can draw from the work of Shepherd and Haynie (2009) and Fauchart and Gruber (2011) as valuable precedents. Shepherd and Haynie made a compelling case for entrepreneurs positioning their ventures in distinct ways by constructing unique identities vis-à-vis their competitors. Examining the influence of identity on new firm creation through the lens of social cognition, Fauchart and Gruber (2011: 937) reasoned that, "Because a person's identity serves as a cognitive frame for interpreting experience...individuals are more likely to define the situations into which they enter in ways that make a highly salient identity relevant and to strive for behaviors and actions that are consistent with that identity" (also see Hogg, Terry & White, 1995; Stets & Burke, 2000). In summary, founder identities more broadly have been found to influence entrepreneurial decision making, but the literature

has yet to determine how social identity congruence between entrepreneur and startup can impact entrepreneurial selection and retention, hypothesized below:

*Alignment Hypothesis (2):* Entrepreneurs will align with startups that reinforce their unique social identities, with alignment predicting entrepreneur selection and retention.

## **EMPIRICAL APPROACH**

To investigate our hypotheses, we embraced a mixed methods approach that encompassed an observational study and an experimental manipulation. In Study 1, we performed a linguistic analysis of entrepreneurial narratives to determine how entrepreneur role and social identities manifest. We then coupled this knowledge with information on startup outcomes related to team tenure and retention to observe the effects of identity alignment at the firm level. Using a within-subjects experimental design, Study 2 enabled us to explore whether there was a causal relationship between entrepreneurial social identity and startup alignment. In doing so, we were also able to inquire about entrepreneurial intentions to select into and stay with a given startup based on its identity that were not observable in Study 1. Thus Study 2 tackled the “chicken or the egg” dilemma inherent in Study 1 that only allowed us to observe a relationship between entrepreneur and startup identity but could not speak to which emerges first to influence the other. By manipulating startup narratives, we were able to determine if entrepreneurial identity alignment determines intentions related to both selection and retention under controlled conditions.

## **STUDY 1: OBSERVATIONAL STUDY**

### **Methods**

Self-categorization can be conceptualized as “the process of identifying as a member of a social category,” leading individuals to “assume the perceived prototypical or exemplary characteristics of the category or role as their own” (Ashforth, 2000: 25; Powell & Baker, 2014: 1408). As such, we had reason to rely upon entrepreneurs’ self-identified social and role data on LinkedIn for our entrepreneur identity variables. This approach is consistent with that of Shepherd and Haynie calling for identity evaluation from the founder’s perspective (Shepherd & Haynie, 2009; also see Powell & Baker, 2014: 1428).

Through a series of open text fields, LinkedIn essentially prompts members of its professional networking platform to answer the quintessential identity question “Who Am I?” in terms of their professional selves in two ways: the first is to complete a general “Summary” section of the LinkedIn profile, enabling the user to showcase his or her “social identity;” the second is to complete the “Role” section for each of the positions that the user has held throughout his or her professional career, allowing the user to showcase his or her “role identity.” In other words, we sought to operationalize entrepreneurial identity by observing entrepreneurs’ self-identifications, as revealed in their selection of words<sup>52</sup>.

We were able to scrape the text associated with the general summary as well as the role relating specifically to the entrepreneurial position appearing on Crunchbase.<sup>53</sup> Employing natural language processing best practices (Manning, Surdeanu, Bauer, Finkel, Bethard & McClosky, 2014), we engaged in text pre-processing using the NLTK toolkit in Python that included text tokenization (segregation into constituent words); stopword removal (of words

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<sup>52</sup> LinkedIn’s online entries serve as identity claims, rather than playing a part in the role construction process. We have reason to believe that Professional Summaries reflect entrepreneurs’ social identities as the professional and social selves tend to converge for this particular group of professionals.

<sup>53</sup> We utilized the Crunchbase platform to obtain the list of entrepreneurs serving as key foundational members and all data on their respective startups, with LinkedIn being used to obtain the text for their entrepreneurial narratives.

occurring too frequently or infrequently as lacking relevancy); stemming and lemmatization (by joining related word variants into meaningful parent words for analysis as single items); and vectorization (storage of word frequencies as counts). Running a script on the processed text, we extracted the sentences containing “I am...”<sup>54</sup> and searched for any significant co-occurrences in order to identify evidence of expressed social identities.

We then performed an analysis of the word frequencies appearing in their role identities to determine if there was any correlation with the social identities. This exercise also enabled us to capture themes and topics from the text used by entrepreneurs with differing identities based upon their word co-occurrences. In addition to obtaining an individual identity, we also obtained a measure of firm-level identity by aggregating the individual identity data for all key team members associated with each Crunchbase startup (we obtained identity data for an average of 2.16 team members/startup).

After analyzing our results at the individual entrepreneur level, we calculated identity at the firm level and tied this average team measure to variables reflecting a) average employee tenure data based upon start and end date employment information and b) average employee retention data reflecting the proportion of the team that stays by using the binary “past” vs. “current” designations for each available entrepreneur on the team listed on Crunchbase. Investigating tenure and retention (at both the individual and team level) as our dependent variables, we also answer recent calls to explore alternative growth measures and success objectives for founders and their teams (Gruber & MacMillan, 2017: 280). When analyzing our effects on the firm-level outcomes of average tenure and retention associated with startup social

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<sup>54</sup> We also utilized sentences with variations for self-identifications, including “I’m...” for those using contractions and “[Name] is a ...” for those referring to themselves in the third person.

identity, we controlled for the startup’s age (number of years since founding), industry served, team size, degree of serial entrepreneurship, and operating status (active vs. acquired or closed). For our individual-level analysis, we controlled for entrepreneur age, gender, degree of work experience, and whether or not they were serial entrepreneurs.

## **Sample**

Through the API of startup database Crunchbase, we were able to obtain a data dump of 10,000 entrepreneurs<sup>55</sup> associated with startups founded in the years 2009 and 2010<sup>56</sup> that are very much representative of the overall Crunchbase database “founded to be a master record of data on the world’s most innovative companies” positioned for high growth and possessing a high technological component while catering to a wide array of industries. Of the 10,000 entrepreneurs, we were able to scrape full text responses from the professional social networking platform LinkedIn’s “Summary” and “Role” narratives for 4,593 entrepreneurs. Of the 4,593 entrepreneurs, 3,381 of them contained discernible social identity references. The entrepreneurs exhibiting distinct social identities were associated with 1,565 unique startups, 75% of which were based in the U.S. At the time of our analysis, each startup had an average age of 8.4 years, had raised an average of \$25.8 million, and employed an average of 53.2 individuals, with an average employee tenure of 2.2 years (See Table 1 for sample descriptive statistics).

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Insert Table 1 here  
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## **Results**

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<sup>55</sup> These entrepreneurs listed on Crunchbase constitute key founding team members of startups; 10,000 represented the maximum data retrieval allowed within the institutional provisions of our data limit.

<sup>56</sup> We selected startups founded in 2009 and 2010 in an effort to observe a sufficient amount of variance in their human capital outcomes over time.

Across the 3,381 entrepreneurial narratives analyzed, two significant and distinct (or non-overlapping) social identities emerged<sup>57</sup>: 1,834 entrepreneurs self-identified as “builders,” while 215 self-identified as “disrupters”; these 2,049 entrepreneurs were associated with 950 unique startups. Analyzing the LinkedIn profiles for the presence of the root “disrupt\_,” we observed that those entrepreneurs who did not embrace disruption tended to instead favor the language of building by using the root “buil\_,” with minimal overlap between the two groups—in fact, only 0.5% of the sample had profiles that displayed both elements. Per our uni- and multi-gram frequency comparisons to follow, we observed significant and distinct alignment between the disrupter social identity and the role identity of inventor, as well as the builder social identity and the role identity of developer; conversely, we observed significant overlap within both the disrupter and builder identities of references to the role identity of founder (Cardon et al, 2009).<sup>58</sup>

Entrepreneurs who used the root “disrupt\_” in their profiles identified themselves as “disrupters” or “disruptors” and their startup roles as being “disruptive,” associated with “disruptive technologies,” or involved in “disruption,” with some among them referencing the Clay Christensen-coined term “disruptive innovation” in its entirety (Bower & Christensen, 1995) based on a bigram frequency analysis (see Table 2b below). An excerpt from one LinkedIn profile for a disrupter declares, “[Name] is a passionate, data-driven disruptor and innovator who loves helping fast-growing companies excel,” going on to describe a “need to disrupt

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<sup>57</sup> We found that 1,332 of the 3,381 referred to themselves using various mentions of founders and entrepreneurs, e.g. “I am a passionate entrepreneur and engineer,” which overlapped with the social identities of Disrupters and Builders and role identities of inventor and developer. Note that the means and SDs and of the omitted sample do not differ statistically from those of the utilized sample showcased in Table 1.

<sup>58</sup> We separately observed the following percentages of actual role titles related to: founding (31% of Disrupters, 24% of Builders), technology (20% of Disrupters, 30% of Builders), sales (19% of Disrupters, 18% of Builders), and finance (4% of Disrupters, 4% of Builders).

*existing solutions.*”<sup>59</sup> A unigram frequency analysis of disrupters’ role descriptions revealed they use significantly higher amounts of the words: *disrupt, disruptive, industry, industries, innovate, innovative, innovation, platform, risk, technological, and technology* than builders, in keeping with Cardon and colleagues’ theorization of the inventor role as identifying, inventing, and exploring new opportunities, seeking out new ideas, “scanning the environment for market-disruptive opportunities” and “brimming with market disruption ideas” (Cardon et al, 2009: 516-517).

Conversely, entrepreneurs who self-identified as “builders” used words based on the root “buil\_,” such as *build, builder, building, and built*, to describe the roles they played in their startups. When compared to disrupters, these same individuals were also significantly more likely to incorporate words into their profiles that describe values related to a longer-term focus like *commit* ( $t(2,047) = 5.69, p < .001$ ) and *experience* ( $t(2,047) = 5.52, p < .001$ ); to working together like *team* ( $t(2,047) = 4.27, p < .001$ ), *collaborate* ( $t(2,047) = 3.53, p < .001$ ), and *agree* ( $t(2,047) = 2.66, p < .01$ ); and to incrementally assembling and organizing like *compile* ( $t(2,047) = 2.26, p < .05$ ) and *manage* ( $t(2,047) = 2.36, p < .05$ )—lying in stark contrast to the disorder and lack of cooperation implied by the use of disruptive words among disrupters. Linguistic Inquiry and Word Count software dictionaries from LIWC2015 similarly confirmed that builders (versus disrupters) have professional profiles with significantly higher word frequencies relating to *affiliation* ( $t(2,047) = 3.39, p < .001$ ), *work* ( $t(2,047) = 3.49, p < .001$ ), and *positive emotion* ( $t(2,047) = 2.45, p < .05$ ) (Pennebaker, Booth & Francis, 2007)<sup>60</sup>. A frequency analysis of

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<sup>59</sup> Note that we are showcasing de-identified, publicly-available profile excerpts from two representative LinkedIn users as our Disrupter and Builder examples that are not part of our sample or reported results.

<sup>60</sup> LIWC Table (3) provides background on these dictionaries; Affiliation is a dimension that includes McClelland-like references to others. Work falls within personal concerns based on traditional work references to words like work, class, and boss. Emotional tone (positive vs. negative) distinguishes between a positive, upbeat style and one with greater anxiety, sadness, and/or hostility ([LIWC2015 Operator’s Manual](#)).

builders' role descriptions revealed they also use significantly higher amounts of the words: *design, develop, developer, development, engineer, engineering, operate, operation, product, production, sales, and software* than disrupters, in line with Cardon and colleagues' theorization of the developer role as one involved in nurturing, expanding, market developing, and financial activities (Cardon et al, 2009).

An excerpt from a LinkedIn builder profile announces, "*I am a builder of things. My purpose is to build systems and tools that allow for things to be done with greater intelligence, with less friction, and that were before difficult to accomplish,*" going on to add that "*I surround myself with like-minded people who see the possibilities and find a way to make them a reality.*"<sup>12</sup>

Despite aligning with distinct role identities of inventor and developer, respectively, disrupters and builders both display overlap with the role identity of founder based on Cardon and colleague's theorization of founder involvement in activities related to establishing and commercializing resources (Cardon et al, 2009). More specifically, a frequency analysis reveals that disrupters and builders use similar degrees of the words *acquired, business, channel, co-founder, corporate, found, founder, launch, launched, lead, leading, marketing, performance, services* and *startup*. Separately, we observed that disrupters and builders used similar degrees of the words *love* and *passion*, indicating that both are able to unlock passion through alignment with their respective (reinforced salient) identities as previously theorized (Baron & Hannan, 2002; Cardon et al, 2009). Contrary to the theorized association of the developer role with growth (Cardon et al, 2009), disrupters and builders used similar degrees of this word. But multigram frequencies (e.g. "fastest growth" used by disrupters, "high growth" used by both) suggest they may value growth but in distinct ways—with disrupters favoring dynamic and

volatile growth, and builders instead favoring incremental and progressive growth (see Appendices A and B for visual depictions and Tables 2a-c below for details).

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Insert Tables 2a-c here  
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In terms of other meaningful lack of differences, disrupters and builders did not significantly differ in terms of gender, either. However, we found marginal evidence that disrupters were more likely than builders to be serial entrepreneurs ( $t(2,047) = 1.84, p = .067$ ) and significant support that they have more years of experience ( $t(2,047) = 2.22, p = .027$ ). Importantly, our two distinct entrepreneurial social identities were associated with divergent outcomes for their respective startups in terms of human capital resources. Despite raising significantly higher amounts of funding than their counterparts, disrupter startups do not display significantly higher full-time employee “FTE” counts than builder startups ( $p = .87$ ).<sup>61</sup>

Delving into the data, we discovered that disrupters are likely unable to grow their startup teams as cost effectively as their builder counterparts because they experience significantly lower rates of tenure than builders. Even when controlling for factors like startup age, serial entrepreneurship, team members and industry code, a binary measure (disrupt vs. build) of social identity emerged as a significant predictor of team tenure, with  $F(1, 370) = 4.74, p < .001$ . In fact, a decrease in disruptiveness predicted 8 months of higher average team member tenure for startups in the sample, which can make a world of difference for companies at this stage. One key ameliorating factor with regard to retaining employees appears be degree of social identity

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<sup>61</sup> Although our data set revealed that builder-led startups were ten times more common than disrupter-led ones, “disrupter” startups received an average of \$40.29 million in disclosed funding—1.65 times more on average—than “builder” startups who received an average of \$24.40 million in funding, with degree of disruption significantly predicting amount of funds the startup raised when controlling for team gender, startup age, serial entrepreneurship, experience, and industry ( $F(1, 523) = 6.60, p < .001$ ), per Kanze & Iyengar, 2017. In fact, increase in team disruptiveness predicted an additional \$38.3 million in aggregate funding raised by a given startup. Also refer to the effect of disruptive visions on funds raised (van Balen, Tarakci, & Sood, 2019).

alignment as we separately observed that startups with a high concentration of either disrupters or builders (as opposed to teams that consisted of a mix between the two) predicted entrepreneurs would be more likely to stay with the startup ( $F(1, 941) = 9.37, p = .002$ ). This effect was one of the key motivations for conducting an experiment, which explored whether social identity alignment has a causal impact on intention to affiliate with a given startup and for how long.

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Insert Figure 1 here  
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## **STUDY 2: EXPERIMENTAL PILOT**

In Study 1, we found significant support for our predictions that entrepreneurs will exhibit distinct role identities, which are associated with distinct entrepreneurial social identities. In fact, we observed the manifestation of opposing social identities “disrupters” and “builders,” which predicted human capital outcomes related to tenure and retention for their respective startups. Although we were able to control for a variety of factors found to impact our outcome variables of interest, this observational data can merely suggest there is a correlational relationship with entrepreneurial identity. Likewise, we lack circumstantial details related to the team member departures in our first study’s sample, so we are unable to make claims about voluntary decisions to leave *vs.* involuntary turnover—the latter being associated with dismissals, layoffs, or temporary working arrangements. In other words, we lack insight into whether social identity alignment can cause individual entrepreneurs to join and stay with a given organization. In order to uncover how identity framing directly affects prospective venture team membership, we conducted a controlled experiment intended to isolate a causal relationship.

## **Sample**

135 Amazon Mechanical Turk participants took part in an online experimental manipulation. The majority (69.6%) expressed an interest in working for a startup, while 63.7% of participants separately had some degree of previous startup-related experience. In terms of gender, 74 (55%) of recruited participants were men. The sample had an average age of 35.2 years ( $SD = 10.9$ ). Participants identified with several racial and ethnic backgrounds (67.4% White, 14.8% Asian, 14.1% Black, and 3.7% Other).

## **Design and Procedures**

Employing a within-subjects design, the experimental pilot required that participants read several startup team descriptions, one featuring disrupter and the other builder language while holding all other company information constant. Specifically, individuals were informed that, “We are consulting for a startup to determine what identities and related descriptions are most attractive for potential employees, investors, and partners. Please read the startup descriptions below and answer a few questions about them. We look forward to your insights!”

Participants were then asked a series of questions related to joining and staying with the startups whose narratives they read, such as “If you met the qualifications for a position at either of these two startups and had to choose one as an employer, which one would you choose?” and “If you were hired to work at your chosen startup, how long do you think you would stay with the company?” We explicitly defined the two different social identities before verifying our experimental manipulation with regard to social identity later on: “So just checking...If you were given the chance to associate with a startup in some way (as employee or investor) that has the identity of a “Disrupter” or a “Builder,” which would you choose?” We separately asked participants to self-identify: “If you had to choose between describing yourself as a Disrupter or

Builder, which would you personally identify yourself as based on your own feelings about yourself?”

## **Independent Variables**

*Entrepreneurial Identity.* This experiment manipulated entrepreneurial social identity at the firm level, as manifested in a startup’s description that is typically presented to prospective employees. As such, participants were all exposed to two binary description conditions, that of Disrupt and that of Build. Aside from the disrupt *vs.* build social identity framing of the startups, each description included the typical signals that may influence the attractiveness of either startup as a potential employer, such as venture backing, serial entrepreneurship, industry served, intellectual property, growth, and passion.

Each company description included a comparable amount of text (123 words), as well as corresponding content and matched phrasing, with the only difference attributable to disrupt- *vs.* build-framed storytelling for the startups, with manipulations of specific words informed by the empirical results from Study 1 and our theoretical development (see Appendix D for bolded text). All words found to be embraced by both identities in Study 1—with minimal (zero or near zero) frequency differences between Disrupters and Builders—were held constant, such as growth, leading, passionate, people, performance, and services.

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Insert Appendix D here  
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*Individual Identity.* We also separately captured a self-identified measure of social identity for each experimental participant: “If you had to choose between describing yourself as a Disrupter or Builder, which would you personally identify yourself as based on your own feelings about yourself?”

## **Dependent Variables**

*Selection Intentions.* We utilized a binary measure (Disrupt vs. Build) to ascertain which startup the participant would select into based upon the startup description by asking, “If you met the qualifications for a position at either of these two startups and had to choose one as an employer, which one would you choose?” We then performed a manipulation check on the disrupt vs. build manipulation by asking, “So just checking...If you were given the chance to associate with a startup in some way (as employee or investor) that has the identity of a “Disrupter” or a “Builder,” which would you choose?” We also included an open-ended question that asked participants to describe their reasons for selecting either startup.

*Tenure Intentions.* We utilized a continuous measure to ascertain how long a potential employee would stay with the startup that he or she selected into by asking, “If you were hired to work at your chosen startup, how long do you think you would stay with the company?” The choices: 1 month, 3 months, 6 months, 9 months, 1 year, 1.5 years, 2 years, 2.5 years, 3 years, and more than 3 years were converted into a numerical value equivalent to number of months.

## **Results**

In terms of selection intentions, we found that there was no significant difference between preferred startup based upon the narrative’s social identity. In fact, 68 of participants picked Startup A (Disrupter Team) while 67 picked Startup B (Builder Team) as a potential employer. When we examined the data more closely, we discovered that selection into disrupter vs. builder startup teams was contingent upon participants’ social identity. The behavior of “identity matching” aka social identity alignment was significant in predicting selection decisions, with the binomial logistic coefficient of our regression model indicating that those who self-identified as Disrupter or Builder were at least four times more likely to associate with

a startup of the same identity ( $\beta = 4.40$ ,  $SE = 0.66$ ,  $z = 6.65$ ,  $p < .001$ ). More specifically, 52 in 55 or 94.5% of self-described Disrupters chose Disruptive startups while 66 in 80 or 82.5% of self-described Builders picked Builder startups. We also observed participants' open-ended responses as to why they selected either startup.

Consistent with our theoretical development on the effects of alignment, we observed anecdotal evidence of the positive emotions and indication that one simply feels right from fit (Higgins, 2000); for example, one response from a self-identified disrupter who selected into the disruptive startup team explained that, “the A made me feel better than the B so I like A more than B according to what I know.” Another response from a self-identified builder who selected into the builder startup team touched upon feeling a sense of comfort from alignment by offering that, “I have a more cooperative and risk-adverse personality so I would likely feel more comfortable with B. Startup A feels too competitive and risky for me.” We then performed a series of Welch's two-sample t-tests on the frequencies of words used by participants with versus without identity alignment. Linguistic Inquiry and Word Count software dictionaries from LIWC2015 revealed that those participants who selected startups with social identities matching their own displayed significantly higher word frequencies relating to *affiliation* ( $t(133) = 4.97$ ,  $p < .001$ ) and *authenticity* ( $t(133) = 2.29$ ,  $p = .033$ ), in line with past work on positive interpersonal consequences and feelings of authenticity as byproducts of enacted identity (Hitlin, 2003; Stets & Burke, 2000; Thoits, 1991; Wry & York, 2017).

With regard to intentions to stay with a given startup, we found that “identity matching,” or alignment between the participant's self-identified social identity and that of the startup narrative, was a significant predictor of intended tenure. Identity matching predicted 10.9 months of longer intended tenure with the selected startup than identity mismatch, where  $\beta = 10.85$ ,  $SE =$

4.26;  $F(1, 133) = 6.49$ ,  $R^2 = .05$ ,  $p = .012$ . The experimental results separately confirmed our findings from the field with regard to the fact that type of alignment also matters.

Consistent with our field observations, responses in this controlled setting indicated that those participants who select into builder startup teams intend to stay significantly longer—for 6.2 more months ( $\beta = 6.20$ ,  $SE = 2.85$ ;  $F(1, 133) = 4.74$ ,  $R^2 = .03$ ,  $p = .031$ ). Frequency analyses of the words used by participants explaining the decision to align themselves with the disruptive versus builder startup offer additional insights. Linguistic Inquiry and Word Count software dictionaries from LIWC2015 indicated that those participants who aligned with disrupters (*versus builders*) used words higher in references to *rewards* ( $t(133) = 2.08$ ,  $p = .039$ ), *achievement* ( $t(133) = 2.14$ ,  $p = .035$ ), *emotion* ( $t(133) = 2.05$ ,  $p = .043$ ), and *insights* ( $t(133) = 2.19$ ,  $p = .031$ ) but lower in *affiliation* ( $t(133) = -2.50$ ,  $p = .014$ ), *risk aversion* ( $t(133) = -2.33$ ,  $p = .023$ ), and *tentative nature* ( $t(133) = -2.07$ ,  $p = .041$ ). For more details and interpretation of these results, see Table 3.

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Insert Table 3 here  
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As observed in the field, we also found no significant gender differences with regard to men *vs.* women self-identifying as builders *vs.* disrupters, and we again found that self-identified disrupters were significantly more likely to be serial entrepreneurs than self-identified builders ( $t(133) = 5.97$ ,  $p < .001$ ).

## DISCUSSION

Taken together, the two studies in this chapter serve to inform our understanding of how social identities are expressed in the strategic context of entrepreneurship and what impact this manifestation has on key firm outcomes of talent acquisition and retention. In doing so, we

extend work in the social psychological domain at the intersection of motivation and identity. Drawing primarily upon identity and regulatory theories (Higgins, 2000; Stryker & Burke, 2000), we found evidence for individuals self-regulating to achieve value from fit in a unique way: by engaging in social identity matching, or aligning with startups that reinforce and validate their particular social identities.

To date, the NVT literature has demonstrated a preference for associations with similar others based on demographic homophily (Ruef, Aldrich & Carter, 2003) but has largely neglected how identity dynamics affect outcomes for founding teams and the related movement towards identity homophily (see Powell & Baker, 2017: 2384 for remarks on the gap and as exception). Our discovery of the social identity matching process enhances the new venture team literature by connecting the “Who Am I?” at the individual level to the “Who Are We?” at the team level—an area earmarked for growth in NVT, which can benefit from further insight into the motivational antecedents and consequences of team cohesion (Powell & Baker, 2017). Yet another way in which to interpret our findings related to identity matching within founding teams is that this behavior helps preclude identity conflict (versus the various coping mechanisms outlined in the 2009 works of Burke and Stets as well as Shepherd and Haynie examining how identities compel individuals to seek new roles and negotiate meta-identities, respectively).

Our theoretical framework and empirical approach enables us to also address open calls in the IDT literature on which role identities are distinct (Cardon et al, 2009) and in the broader identity literature on how these role identities in turn relate to social identities (Powell & Baker, 2014). As these latter scholars recently urged, “Future research on founder identity should embrace both SIDT and IDT and should also treat single versus multiple salient identities as an empirical question to be examined and explained” (Powell & Baker, 2014: 1427). Examining the

interplay between role and social identity, we contribute to the body of work developing since the start of this century (Ashforth, 2000; Powell & Baker, 2014; Stryker, 2008) by offering a distinct theoretical link that helps to explain previously unexplored yet meaningful firm-level outcomes. Specifically, we were able to connect role identities theorized in the entrepreneurship literature with distinct social identities at both the individual and firm level to determine their human capital consequences for startups.

In conversation with research published in the *Academy of Management Review* in 2009 by Cardon and her co-authors, this portion of our work not only found substantial empirical support for their theorized role identities but also greatly enriched our knowledge of them. In particular, we uncovered field evidence for the two distinct role identities of inventor and developer and linked them to unique social identities, while we observed significant overlap of both with the role identity of founder. Understanding entrepreneurs' nuanced motivations can help us predict who will select into and stay with a given startup. Our uni-, bi-, tri- and quadgram analyses revealed that entrepreneurs differ along the motivational dimension to either drastically break with the status quo or incrementally build value over time<sup>62</sup>. Ultimately, this allows us to contribute a more nuanced conceptualization of the one-size-fits-all Schumpeterian *Unternehmergeist* or “entrepreneurial spirit”—one that offers explanatory power as to why certain entrepreneurs are more concerned with the “doing of new things” and others with “the doing of things that are already being done in a new way,” rather than a given entrepreneur being concerned with both of these very different objectives (Schumpeter, 1947: 151).

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<sup>62</sup> Note that we take a somewhat unorthodox approach in utilizing identity theory to observe differences relating to entrepreneurial motivations; in this respect, the combination of identity and motivation represents a departure from much of the previous work published over the past decade that does not explicitly make claims related to motivation.

We learned that disrupters are motivated by the goal of breaking with the status quo in order to have a transformative effect on the world, even if it means disobeying the rules. Eschewing the traditions and standards of the day, these mavericks and renegades appear to have little respect for the way things are currently done. Disrupters are more concerned with introducing a groundbreaking technological innovation than with managing an existing product. Discontent with how things are, they see the world not as it is, but as it could be. In the spirit of countercultural movements, such iconoclasts can trigger radical changes. Opportunistic, disrupters tend to care more about the ends than the means. Their daring and flashy ideas can be revolutionary and arousing, imbuing others with emotion. A disruptive culture is one where people don't take conventional work too seriously, which can be quite lively and exciting albeit prone to team discord. Disrupters appear likely to possess a lower degree of affiliation, with a mindset that is more independent than interdependent.

Builders are motivated to incrementally develop something of long-term value for stakeholders of their startups. They like to construct things that enhance and extend benefits for others. Builders will work to make something better and better, even if that entails operating within the confines of an established framework. This implies they are willing to exert the effort to build something sustainable over time. Builders appear to be more process-oriented and committed to continuously improving their offerings. They care more about the means than the ends. Although they may not be the most interesting entrepreneurs out there to work for, builders have a high degree of affiliation, with a mindset that is more interdependent than independent. As such, builders foster a culture where team members tend to be in agreement and work on things together rather than in isolation. Despite the fact that they do not necessarily

elicit as strong of an emotional response from others, builders tend to motivate team members to stick with the venture over time.

### **Experimental Interpretations and Future Directions**

We have an opportunity to reflect upon the implications of our experimental findings. By explicitly asking participants to self-categorize as either disrupter or builder after having already expressed intent to work for a startup with a disrupter or a builder identity, the experimental pilot may be subject to demand characteristics whereby participants unconsciously alter their behavior to meet the perceived purpose of the experiment (Orne, 1962). Acknowledging this concern, it is reassuring to note that participants decided between “Startup A” and “Startup B,” each subtly manipulated for narratives consisting of words that were significantly different for disrupters and builders in the observational study, rather than making an explicit choice between “Disrupter Startup” and “Builder Startup.”

Furthermore, we observed an implicit indication of individual identity that was consistent with our explicit results. More specifically, our linguistic analysis of participants’ open-ended text as justification for choosing a startup reveals that their word choice aligned with what we observed from disrupters versus builders in the field. Notably, participants who engaged in identity fit also utilized words consistent with our field evidence and theoretical predictions related to feelings of affiliation and authenticity (i.e. it “feels right”). As an extension of this work, we hope to conduct follow-up experiments that embrace an “unrelated studies” methodology (See Higgins, Rholes, & Jones, 1977 as inspiration). This approach will allow us to separately capture a measure of individual identities and then at another point in time expose them to the manipulated entrepreneurial narratives.

### **Practical Implications and Future Directions**

From a practical perspective, insights into the presence and framing of entrepreneurial motivations can help startups more effectively attract and retain resources, as well as more established companies hire and assign workers for the most appropriate entrepreneurial projects based on their intrinsic motivations. As we learned that social identity alignment between individuals and startups is predictive of selection and retention, organizations can craft the wording of their narratives to match the specific identity types they desire for their overall team objectives and likewise for specific role requirements.

Studies 1 and 2 collectively demonstrate that disrupters are motivated to explore new ideas but are also likely to move on to the next disruptive opportunity once the project reaches a point of stability and may not encourage other team members to stay on either—as evidenced by significant differences in startup tenure and tenure intentions even when controlling for their higher degrees of serial entrepreneurship. In contrast, builders are the ones who embrace the mundane, day-to-day details needed to incrementally improve upon a proven concept and take it to the next level of growth. With that in mind, it may be beneficial to associate both types of identities with one's startup, depending upon its developmental stage and short- vs. long-term goals. For instance, startups may want to enlist disrupters to develop and sell an MVP (minimum viable product) and builders to nurture subsequent product releases.

Future research can similarly evaluate whether identities differ significantly based upon specific designations and roles, such as equity holder vs. non-equity holder, developer vs. sales manager, and—importantly—founder vs. non-founder (a distinction we chose not to make for the purposes of answering the specific research questions investigated in our manuscript). Similarly, additional work can address questions we cannot answer in this chapter pertaining to the organizational lifecycle—specifically when exactly these organizational identities can be

considered fully formed and the extent to which they are enduring (Albert & Whetten, 1985); as such, our work may conservatively be thought of as examining a “collective identity prototype” that serves as a precursor to organizational identity. Likewise, our studies shed light on heterogeneity in entrepreneurial appetites for risk, demonstrating that not all entrepreneurs but instead a specific type of entrepreneur (that of a Disrupter) is inclined to “capitalize on risk rather than avoid it” (McGrath & MacMillan, 2000: 2); scholars may investigate the downstream consequences of disruptive motivation, such as how Disrupters’ proclivity to eschew rules and embrace risk can predict both adaptive (e.g. aggressive growth) and maladaptive (e.g. ethical violations) consequences.

These two newly-introduced social identities contribute to a recent line of inquiry that moves beyond economic rationality to explore additional entrepreneurial motivations. Forthcoming research can apply a multi-identity lens to build upon this work, investigating how our identities correspond to those of Fauchart and Gruber (2011) to elicit outcomes such as ones related to social “other-oriented” enterprise objectives (Gruber & MacMillan, 2017; Powell & Baker, 2017; Wry & York, 2017). For instance, multiple social identities may be salient to the entrepreneur, whereby certain individuals manifest as both Disrupters and “Missionaries” (concerned with the goal of changing society at large), while others may exhibit characteristics of both Builders and “Communitarians” (concerned with the goal of supporting social communities); in contrast, both Disrupters and Builders may simultaneously express concern for traditional rent-seeking attributed to “Darwinians” (Fauchart & Gruber, 2011; Gruber & MacMillan, 2017: 272). In their forthcoming paper to be published by the Administrative Science Quarterly, Zuzul and Tripsas find evidence for a similar founder identity distinction using a different methodology (an inductive, multi-case study approach) and focused on a

specific nascent industry (the air taxi market)—yielding consequences distinct from, while also in line with, our theoretical predictions. Specifically, they find evidence for the presence of “revolutionaries” desiring to change the world and “committed to radically novel business models, innovative technologies...” vs. “discoverers” who instead seek “to build successful businesses” (Zuzul & Tripsas, 2019: 3)<sup>63</sup>. They go on to find support for discoverers (corresponding to our builders) possessing a greater willingness to engage in ongoing adaptation efforts and as such exhibiting less inertial tendencies than their counterparts of revolutionaries (mapping to our disrupters).

Equipped with the knowledge that disrupter vs. builder orientations are linked to both positive and negative outcomes, entrepreneurs can work more effectively towards attracting as well as retaining resources. Beyond entrepreneurship, corporations may use this distinction as a framework to select and motivate employees for nascent projects by being cognizant of whether the impulse to break or build makes them tick. Given the distinct motivations we uncover, future research can likewise explore whether large organizations beyond entrepreneurship would benefit from recruiting and assigning builders to “line” functions tasked with generating revenue (e.g. production, sales & marketing) and disrupters to “staff” functions tasked with advisory support (e.g. exploratory project-based work requiring specialized expertise). With respect to investors, the implied delta in turnover between disrupters and builders reflects a potentially worse deployment of capital for disrupters due to the requisite increases in their recruiting, onboarding, training and severance costs, as well as the loss of morale and productivity that accompany team turbulence. Future researchers may choose to investigate the presence of

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<sup>63</sup> Importantly, this study also offers support for the generalizability beyond tech entrepreneurship of our claims that founder identities differ along the dimension of the motivation to disrupt vs. build, despite different monikers used.

divergent returns on invested capital related to investing in more as opposed to less disruptive venture teams.

## **CONCLUSION**

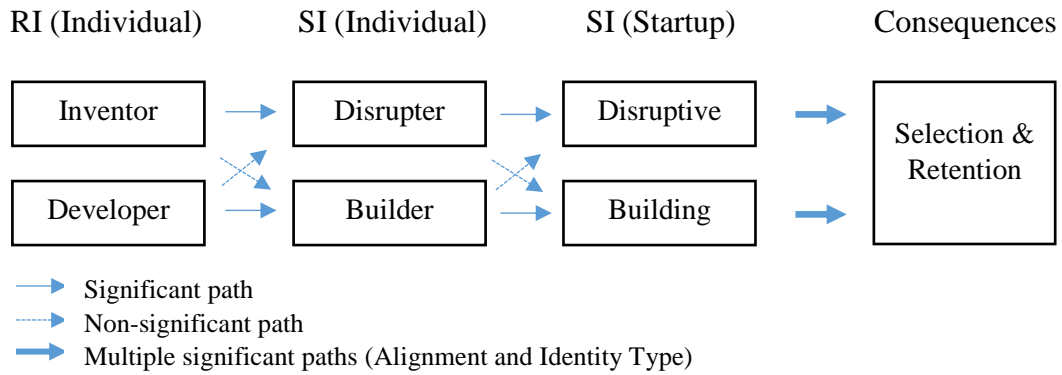
Exploring how entrepreneurs identify with their roles and startups, we discovered that those with role identities of inventors showcase themselves as disrupters and align with disruptive startups, while those with role identities of developers showcase themselves as builders and align with builder startups. Armed with the insights we uncovered about the distinct motivations and consequences associated with these two contrasting identities, both candidates and employers can take social identity alignment into consideration when determining startup and role fit. More broadly, our hope is that this work can help prevent employers from incurring turnover-related costs while promoting greater team productivity. These findings contribute to a burgeoning body of research that explores how people can find professional opportunities that best reflect who they truly are and how they see themselves contributing to the world at large.

**Table 1: Sample Descriptive Summary**

Variable	Min	Max	Mean	SD
Startup FTEs	5.5	375.5	53.16	76.49
Startup Identity	0.00	1.00	0.09	0.24
Startup Team Age	24.00	70.00	41.57	7.98
Startup Gender	0.00	1.00	0.88	0.28
Startup Serial Ent	0.00	1.00	0.61	0.43
Startup Tenure	0.25	8.00	2.16	1.38
Startup Funding \$M	0.01	450.3	25.8	48.7
Individual Age	20.00	77.00	41.84	8.69
Individual Gender	0.00	1.00	0.88	0.33
Individual Tenure	0.25	8.00	2.12	1.44
Individual Experience	1.00	57.00	19.14	7.47
Individual Serial Ent	0.00	1.00	0.54	0.50
Individual Identity	0.00	1.00	0.10	0.31
Words Used	2.00	393.00	149.65	86.25

*Gender = 1 for Male, 0 for Female; Identity = 1 for Disrupter, 0 for Builder.*

**Figure 1: Alignment Model**



*RI = Role Identity; SI = Social Identity.*

**Table 2a: Unigram Frequency Comparisons (*displaying top 20*)**

Similar	<i>D-B Freq</i>	Different	<i>D-B Freq</i>
startup	0.05%	disrupt	0.98%
growth	0.05%	innovation	0.25%
leading	0.03%	technology	0.22%
services	0.02%	industry	0.18%
business	0.02%	companies	0.16%
roles	0.01%	risk	0.13%
love	0.01%	platform	0.11%
people	0.00%	build	-0.94%
acquired	0.00%	team	-0.49%
performance	0.00%	manage	-0.42%
help	0.00%	experience	-0.37%
best	0.00%	product	-0.34%
passionate	0.00%	software	-0.27%
co-founder	0.00%	development	-0.24%
launched	0.00%	sales	-0.24%
channel	0.00%	engineer	-0.17%
delivering	0.00%	design	-0.14%
founder	0.00%	operate	-0.13%
marketing	-0.04%	strategy	-0.12%
corporate	-0.02%	work	-0.12%

*N.S. for Similar; Different  $p < .01$ .*

*Top 20 retrieved using Stemmed Lemmatized Ngrams.*

**Table 2b: Multigram Disrupter Frequencies (displaying top 40)**

BiGram	Freq	TriGram	Freq	QuadGram	Freq
busi develop	0.25%	green man game	0.06%	headquart san francisco passion	0.03%
disrupt technolog	0.22%	go market strategi	0.05%	san francisco passion nerd	0.03%
co found	0.15%	best place work	0.05%	partner silicon valley bank	0.03%
co founder	0.15%	co founder ceo	0.04%	silicon valley bank disrupt	0.03%
product manag	0.14%	track record build	0.04%	valley bank disrupt person	0.03%
social medium	0.13%	cross function team	0.04%	bank disrupt person financ	0.03%
earli stage	0.11%	life financi decis	0.03%	disrupt person financ industri	0.03%
busi model	0.11%	headquart san francisco	0.03%	give consum small busi	0.02%
product develop	0.11%	san francisco passion	0.03%	consum small busi clariti	0.02%
go market	0.11%	francisco passion nerd	0.03%	small busi clariti around	0.02%
big data	0.11%	million capit ivp	0.03%	busi clariti around life	0.02%
track record	0.11%	capit ivp rre	0.03%	clariti around life financi	0.02%
market strategi	0.11%	partner silicon valley	0.03%	around life financi decis	0.02%
san francisco	0.10%	silicon valley bank	0.03%	life financi decis come	0.02%
ventur capit	0.09%	valley bank disrupt	0.03%	financi decis come credit	0.02%
new york	0.09%	bank disrupt person	0.03%	decis come credit card	0.02%
start up	0.09%	disrupt person financ	0.03%	come credit card bank	0.02%
b b (B to B)	0.09%	person financ industri	0.03%	credit card bank account	0.02%
year experi	0.09%	proven track record	0.03%	card bank account mortgag	0.02%
technolog compani	0.09%	social medium market	0.03%	bank account mortgag insur	0.02%
disrupt innov	0.08%	high perform team	0.03%	account mortgag insur loan	0.02%
e commerc	0.08%	give consum small	0.03%	mortgag insur loan expans	0.02%
product servic	0.08%	consum small busi	0.03%	insur loan expans like	0.02%
high perform	0.08%	small busi clariti	0.03%	loan expans like hospit	0.02%
founder ceo	0.08%	busi clariti around	0.03%	expens like hospit cost	0.02%
high growth	0.08%	clariti around life	0.03%	like hospit cost medic	0.02%
develop market	0.08%	around life financi	0.03%	hospit cost medic bill	0.02%
digit medium	0.08%	financi decis come	0.03%	cost medic bill consum	0.02%
green man	0.08%	decis come credit	0.03%	medic bill consum make	0.02%
manag team	0.07%	come credit card	0.03%	bill consum make almost	0.02%
user experi	0.07%	credit card bank	0.03%	consum make almost decis	0.02%
world class	0.07%	card bank account	0.03%	make almost decis dark	0.02%
real estat	0.07%	bank account mortgag	0.03%	chang help guid consum	0.02%
serial entrepreneur	0.06%	account mortgag insur	0.03%	help guid consum decis	0.02%
place work	0.06%	mortgag insur loan	0.03%	guid consum decis free	0.02%
man game	0.06%	insur loan expans	0.03%	consum decis free access	0.02%
fastest grow	0.06%	loan expans like	0.03%	decis free access tool	0.02%
product market	0.06%	like hospit cost	0.03%	free access tool research	0.02%
silicon valley	0.06%	hospit cost medic	0.03%	access tool research expert	0.02%
new market	0.06%	cost medic bill	0.03%	tool research expert advic	0.02%

**Table 2c: Multigram Builder Frequencies (displaying top 40)**

BiGram	Freq	TriGram	Freq	QuadGram	Freq
busi develop	0.39%	proven track record	0.06%	b b b c (B to B to C)	0.02%
product manag	0.26%	high perform team	0.05%	build high perform team	0.02%
social medium	0.22%	go market strategi	0.04%	proven track record build	0.02%
team build	0.22%	build high perform	0.04%	product manag product market	0.01%
track record	0.22%	track record build	0.04%	execut year experi build	0.01%
year experi	0.22%	cross function team	0.03%	build lead high perform	0.01%
product develop	0.21%	sale busi develop	0.03%	lead high perform team	0.01%
product market	0.17%	b b b (B to B)	0.02%	high perform sale team	0.01%
market strategi	0.16%	b b c (B to B to C)	0.02%	b c b b	0.01%
high perform	0.16%	product manag product	0.02%	execut proven track record	0.01%
project manag	0.15%	manag busi develop	0.02%	leader proven track record	0.01%
sale market	0.14%	execut year experi	0.02%	b b c market	0.00%
start up	0.13%	market busi develop	0.02%	proven track record success	0.00%
big data	0.13%	co founder ceo	0.02%	sale market busi develop	0.00%
e commerc	0.13%	year experi build	0.02%	track record build lead	0.00%
softwar develop	0.13%	p l manag (P&L)	0.02%	develop go market strategi	0.00%
co founder	0.12%	manag product market	0.02%	build high perform sale	0.00%
earli stage	0.12%	social medium market	0.02%	privat equiti ventur capit	0.00%
digit market	0.12%	build world class	0.02%	product strategi product manag	0.00%
co found	0.11%	track record success	0.01%	strateg plan busi develop	0.00%
experi build	0.11%	build great team	0.01%	search engin optim seo	0.00%
go market	0.10%	b b market (B to B)	0.01%	cross function team build	0.00%
p l (p&l)	0.10%	big data analyt	0.01%	proven track record creat	0.00%
strateg plan	0.10%	lead high perform	0.01%	strategi product manag product	0.00%
technolog compani	0.09%	busi develop market	0.01%	market sale busi develop	0.00%
user experi	0.09%	earli stage startup	0.01%	experi proven track record	0.00%
new product	0.09%	busi develop sale	0.01%	build world class team	0.00%
cross function	0.09%	busi develop product	0.01%	custom relationship manag crm	0.00%
extens experi	0.09%	team build leadership	0.01%	manag cross function team	0.00%
manag product	0.09%	earli stage compani	0.01%	earli stage technolog compani	0.00%
manag team	0.09%	busi develop strateg	0.01%	product manag user experi	0.00%
proven track	0.09%	new busi develop	0.01%	sale manag busi develop	0.00%
build manag	0.09%	chief execut offic	0.01%	develop high perform team	0.00%
develop team	0.08%	fast pace environ	0.01%	success track record build	0.00%
sale team	0.08%	search engin optim	0.01%	busi develop product develop	0.00%
build high	0.08%	specialti product manag	0.01%	track record build highli	0.00%
high growth	0.08%	strong track record	0.01%	manag new busi develop	0.00%
help build	0.08%	success track record	0.01%	find product market fit	0.00%
build team	0.08%	market social medium	0.01%	omni channel loyalti analyt	0.00%
new busi	0.08%	leader year experi	0.01%	channel loyalti analyt solut	0.00%

**Table 3: Experimental Frequencies via LIWC Dictionaries**

Measure	Means	SDs	Results	Interpretation (via LIWC2015)
Affiliation	$M_a = 1.43$ ; $M_{na} = 0.00$	$SD_a = 3.13$ ; $SD_{na} = 0.00$	$t = 4.97$ ; $p < .001$	Alignment ( <i>vs. non-alignment</i> ) breeds more McClelland-like dimensions of affiliation, including references to others.
Authenticity	$M_a = 50.44$ ; $M_{na} = 26.27$	$SD_a = 39.68$ ; $SD_{na} = 40.85$	$t = 2.29$ ; $p = .033$	Alignment ( <i>vs. non-alignment</i> ) breeds more honest, personal, and disclosing text (lower numbers suggest a more guarded, distanced form of discourse).
Achievement	$M_D = 5.70$ ; $M_B = 3.07$	$SD_D = 8.96$ ; $SD_B = 5.10$	$t = 2.14$ ; $p = .035$	Disruptive ( <i>vs. Builder</i> ) narratives induce participants to reference achievement striving, such as success and failure, trying, goals, and winning.
Affiliation	$M_D = 0.63$ ; $M_B = 1.88$	$SD_D = 2.10$ ; $SD_B = 3.55$	$t = -2.50$ ; $p = .014$	Disruptive ( <i>vs. Builder</i> ) narratives breed responses with fewer McClelland-like dimensions of affiliation, such as references to others.
Emotion	$M_D = 15.75$ ; $M_B = 9.08$	$SD_D = 23.54$ ; $SD_B = 12.76$	$t = 2.05$ ; $p = .043$	Disruptive ( <i>vs. Builder</i> ) narratives arouse more of an emotional response, inducing participants to use words related to both positive and negative emotions ( <i>vs. lower emotionality or levels of ambivalence in affective processing</i> ).
Insight	$M_D = 8.87$ ; $M_B = 5.91$	$SD_D = 9.53$ ; $SD_B = 5.76$	$t = 2.19$ ; $p = .031$	Disruptive ( <i>vs. Builder</i> ) narratives induce participants to think of novel insights, using words higher in cognitive processes related to thinking, knowing, and considering than Builder narratives.
Reward	$M_D = 8.85$ ; $M_B = 3.35$	$SD_D = 17.85$ ; $SD_B = 12.38$	$t = 2.08$ ; $p = .039$	Disruptive ( <i>vs. Builder</i> ) narratives induce participants to reference more rewards and incentives.
Risk	$M_D = 0.46$ ; $M_B = 1.97$	$SD_D = 1.64$ ; $SD_B = 5.05$	$t = -2.33$ ; $p = .023$	Disruptive ( <i>vs. Builder</i> ) narratives induce participants to reference fewer words focused on risk aversion such as dangers, concerns, and things to avoid.
Tentative	$M_D = 1.83$ ; $M_B = 3.32$	$SD_D = 3.85$ ; $SD_B = 4.51$	$t = -2.07$ ; $p = .041$	Disruptive ( <i>vs. Builder</i> ) narratives induce participants to think more boldly, using words lower in cognitive processes indicating a tentative nature, such as maybe, perhaps, and guess.

See [LIWC2015 Operator's Manual](#) for full explanation of dictionary measures.



## Appendix C: Experimental Manipulation

STARTUP A	STARTUP B
<p><i>Do you believe that <b>innovative solutions</b> can <b>transform</b> experiences from ordinary to extraordinary? Do you thrive in a <b>self-starter</b> environment that rewards <b>new ideas</b> while <b>breaking</b> with the status quo? We are a venture-backed <b>market disrupter</b> that is <b>first to market</b> in cloud delivery with a <b>groundbreaking new</b> technology. This startup <b>identifies, invents, and explores new opportunities</b>. We are a lean provider of services delivering high growth for investors and leading performance for customers. Our IP solutions and patents act as barriers to entry and differentiation for our business. We are run by passionate serial entrepreneurs who want to surround themselves with like-minded people who <b>dare to take risks</b> and <b>threaten</b> business as usual. Partner with a startup that's <b>brimming with market-disruption ideas</b>.</i></p>	<p><i>Do you agree that <b>well-designed products</b> can <b>amplify</b> experiences from ordinary to extraordinary? Do you thrive in a <b>collaborative</b> environment that rewards <b>design improvements</b> to <b>build</b> something of value? We are a venture-backed <b>builder of products</b> that has <b>perfected a state-of-the-art</b> software in cloud delivery. This startup <b>nurtures, grows, and expands on existing product designs</b>. We are a lean provider of services delivering high growth for investors and leading performance for customers. Our experience in IP solutions and patents acts as a barrier to entry and differentiation for our business. We are run by passionate serial entrepreneurs who want to surround themselves with like-minded people <b>committed to continuously developing</b> our product offerings. Partner with a <b>team</b> that keeps <b>expanding and growing</b> over time.</i></p>

*Bolded terms reflect manipulation based upon results from Study 1 in line with theoretical underpinnings.*

## CONCLUDING REMARKS

Taken together, the preceding three chapters provide support for the subtle yet significant influence that motivational language exerts upon meaningful outcomes for entrepreneurs, their ventures, and even their investors. Each chapter in turn demonstrates the opportunities and challenges posed by the motivational inductions of promotion versus prevention foci, locomotion versus assessment modes, and disrupter versus builder identities. We learned that promotion-focused (*vs.* prevention-focused) investor questions posed to male (*vs.* female) funding candidates are conducive to raising significantly higher amounts of venture capital; that mission statements high in locomotion (and low in assessment) contribute to more discriminatory decision making; and that fit between individual and organizational social identity of those motivated to disrupt (*vs.* build) can entice individuals to select and stay with a given startup. We also gathered evidence for several valuable prescriptions whose efficacy can be tested in the field: that candidates for funding can augment the capital they raise by responding to prevention-focused questions with promotion-focused answers; that organizations with mission statements high in locomotion can offset their exposure to discrimination by incorporating language high in assessment; and that organizations can take social identity into consideration when assigning and motivating team members to achieve distinct objectives across the startup's lifetime.

The dissertation's findings set the stage for exploration of the interplay among these motivational forces, probing how regulatory focus interacts with regulatory mode, as well as how the two relate to identity. In fact, a disrupter (*vs. builder*) identity suggests the proclivity towards a combination of high locomotion (*over assessment*) and high promotion (*over prevention*) based upon bigram frequencies such as "fastest growth," as well as experimental frequencies indicating use of bold language low in risk aversion and tentativeness. Additional avenues of social identity

research can capture chronic dispositional measures of regulatory focus and mode by administering the respective questionnaires to participants who self-categorize as either disrupters or builders to determine whether this is in fact the case.

Combinations of high promotion (*vs. prevention*) and locomotion (*vs. assessment*) present natural benefits and drawbacks that merit investigation. Readers may note certain overlap between the regulatory focus dictionary we accessed in Chapter 1 and the regulatory mode dictionary we created in Chapter 2. Specifically, promotion and locomotion coincide on word stems relating to momentum and speed, while prevention and assessment do so on word stems relating to accuracy and carefulness. The connection between those who are promotion-focused and locomotors is likely to be more pronounced, given that both have in common the need to depart from the point of “zero” or the status quo—precisely the motivation of disrupters.

Although prevention and assessment do converge with respect to the concern for not wanting to do something wrong, they diverge when it comes to a preference for alternatives under evaluation: those oriented towards prevention seek to limit options in an effort to prevent errors of commission, whereas assessors need to leave no stone unturned in order to make the right choice. Where overlaps exist, combinations of promotion and locomotion and, to a lesser extent, prevention and assessment may accentuate the effects we uncovered. In contrast, the more mismatched promotion and assessment, as well as prevention and locomotion, can instead attenuate the effects to varying extents. Emblematic of the balancing effects we observed when marrying high locomotion with assessment in Chapter 2, a strategy of pursuing broader motivational diversity (*vs. harmony*) across focus, mode, and identity may help limit exposure to certain disadvantageous tendencies, such as those in the domain of risk management.

This last thought points to another natural extension of my dissertation: the examination of longitudinal outcomes for dyads and groups engaged in entrepreneurship that experience varying degrees of fit and non-fit akin to the literature on team diversity (*vs. homogeneity*). The diversity literature reveals that social homogeneity facilitates faster and more pleasurable decision making in teams, but does not lend itself to undertaking the effortful process of uncovering contrarian perspectives and information (Phillips, 2014). As a result, homogeneous teams' decision-making outcomes resemble those of Chapter 2's locomotion (*vs. assessment*) induction, which triggers a need to proceed smoothly with minimal time and effort but leaves organizations vulnerable to discriminatory behavior.

The regulatory fit literature likewise indicates that mismatch or non-fit feels wrong and is more effortful, but may provoke such advantageous decision-making behaviors as the use of systematic information processing rather than the heuristic processing that is induced by regulatory fit's feeling right (Chaiken & Ledgerwood, 2011; Koenig, Cesario, Molden, Kosloff, & Higgins, 2009). In line with prior research on information processing (Bodenhausen, 1990), Chapter 1's results suggest that reliance upon stereotype-based heuristics can manifest as bias in the form of gendered questioning. Given these findings, one can anticipate similar trade-offs inherent in the homophilous behavior we observe in Chapter 3 whereby individuals continuously seek out identity fit.

Chapter 3 reveals that identity homogeneity is associated with higher retention and that identity fit can yield feelings of greater affiliation and authenticity (i.e. it "feels right"). But this affiliative team that remains intact may not be making the optimal decisions for the startup. Future research should examine complex task performance of identity homogeneous (*vs. diverse*) teams in an effort to determine whether social identity diversity echoes the beneficial results of

social diversity. Lastly, a worthy scholarly pursuit involves examining the conditions under which motivational combinations have the best chance of success; for example, clearly-defined roles and division of labor may encourage the benefits of diversity and harmony, allowing for respectful differences of opinion and efficient functioning.

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