

UNIVERSIDAD DE GRANADA



**Facultad de Ciencias Económicas y Empresariales
Programa Oficial de Doctorado en Ciencias Económicas y Empresariales**

TESIS DOCTORAL

**EL PROCESO DE CREACIÓN DE EMPRESAS
EN LA BASE DE LA PIRÁMIDE**

MENCIÓN DE DOCTORADO INTERNACIONAL

Tesis doctoral presentada por:

Luisa Delgado Márquez

Dirigida por:

Prof. Dr. Julio O. De Castro Campbell

Profa. Dra. Nuria Hurtado Torres

GRANADA, 2017

Esta tesis doctoral ha sido posible gracias a una beca predoctoral concedida por el Ministerio de Economía y Competitividad del Gobierno de España (Programa de Formación de Personal Investigador) en el IE Universidad. Gracias a ello, se ha podido contar con la financiación del Proyecto “Incertidumbre, Innovación y entrepreneurship” (ECO2012-30932) del Ministerio de Economía y Competitividad.

Editor: Universidad de Granada. Tesis Doctorales

Autora: Luisa Delgado Márquez

ISBN: 978-84-9163-376-1

URI: <http://hdl.handle.net/10481/47727>

Agradecimientos

“Son emprendedores y como tales debemos considerarlos”. Desde la primera vez que escuché esta frase referida a los emprendedores viviendo en situaciones de escasez, aquellos que pertenecen a la base de la pirámide, sentí que había todo un potencial a nivel investigador que podría contribuir al conocimiento de estos emprendedores tanto a nivel teórico como empírico y, al mismo tiempo, proporcionar guías que a nivel práctico pudiesen ayudar a entender mejor el fenómeno emprendedor. Esta frase que da comienzo a este apartado me la dijo la persona por la cual me gustaría empezar esta dedicatoria.

Julio De Castro, gracias por haberme dado la oportunidad de poder trabajar contigo y enseñarme que se puede ser un gran investigador y una extraordinaria persona al mismo tiempo. Gracias por todo lo aprendido, la confianza mostrada y la positividad que siempre me has transmitido. Gracias por haber estado siempre ahí y, al mismo tiempo, haberme dado mi espacio para madurar a nivel investigador.

Nuria Hurtado, gracias por haberme acompañado en mi trayectoria investigadora desde mis comienzos, por haberme enseñado los primeros pasos del mundo investigador y por estar siempre ahí aún cuando me perdía.

Gracias a Rachida Justo, por haber confiado en mí para desarrollar conjuntamente dos trabajos de investigación que me han enseñado el potencial de las mujeres emprendedoras y lo mucho que queda por avanzar.

Gracias a los estudiantes de doctorado del IE Business School que he tenido la oportunidad de conocer (Sonia, Serghei, Inmaculada, Helena...) y que siempre me han hecho sentir como una estudiante más del IE.

Gracias a mi grupo de Álvarez de Baena, 4 del IE Business School donde he pasado largas horas desarrollando mi tesis doctoral. Nandia, Susan, Matthias y Marga, gracias por vuestra disponibilidad, vuestro apoyo, y por contribuir a una ambiente de trabajo cálido cada día. Encontrarse personas como vosotros en el camino hacen sentirse a una realmente afortunada.

I would like to thank Dr. Garry Bruton for giving me the great opportunity to work with him. Thank you for making me feel like at home. I also would like to thank Dr. David Gras, for all the research work during my stay in Texas and for your time and availability every moment.

En este apartado no puedo olvidarme de esos amigos que siempre incondicionalmente han estado ahí. Gracias a mis dos mejores amigas: Isabel y Elisa, por haberos sentido siempre cerca incluso desde la distancia, a mi prima Carmen por su apoyo infinito y a Roberto. Gracias por haber mostrado siempre interés en este proyecto y por haberme animado siempre a seguir adelante.

Por último, gracias a quien ha sido el pilar fundamental de mi vida durante este periodo: mi familia, por su comprensión y por haber sabido comprenderme. A mis padres, por su apoyo continuo, a mis hermas Blanca y Elvira por haberme aconsejado siempre desde su experiencia doctoral, a mis cuñados Luis y Antonio y a mis sobrinos, Antonio y Luisa.

Gracias a todos por haber compartido conmigo esta gran etapa de mi vida.

*A mi hermana Blanca,
por su infinita paciencia y apoyo incondicional*

ÍNDICE

Índice de tablas.....	i
Índice de Figuras.....	ii
CAPÍTULO 1. Introducción.....	1
1.1. Introducción al objeto tema de estudio.....	3
1.2. Objetivo de la investigación.....	4
1.3. Estructura del trabajo de investigación.....	4
Bibliografía.....	12
CAPÍTULO 2. When is venture creation a rational choice for the poor? The role of government assistance, education and poverty.....	17
2.1. Introduction.....	20
2.2. Theory and hypotheses.....	22
2.2.1. Government social assistance, poverty and new venture creation.....	24
2.2.2. Education and new venture creation.....	28
2.2.3. Government social assistance, education and new venture creation.....	29
2.2.4. Government social assistance, education, poverty, and new venture creation.....	30
2.3. Methodology.....	31
2.3.1. Data and sample.....	31
2.3.2. Measures.....	31
2.4. Results.....	33
2.5. Discussion.....	40

2.5.1. Implications.....	43
2.5.2. Limitations and future research.....	44
Bibliography.....	46
CAPÍTULO 3. Equality or inequality. That’s the question. The performance impact of pay gaps in cooperative businesses.....	53
3.1. Introduction.....	56
3.2. Theory and hypotheses.....	61
3.2.1. Pay gaps and performance.....	61
3.2.2. Business informality.....	65
3.2.3. Social movements.....	67
3.3.4. Venture Newness.....	68
3.3. Methods.....	69
3.3.1. Sample and measures.....	69
3.3.2. Method of analysis.....	74
3.3.3. Results.....	75
3.3.4. Robustness checks.....	81
3.4. Discussion.....	82
3.4.1. Implications.....	84
3.4.2. Limitations and future research.....	86
Bibliography.....	88

CAPÍTULO 4. The boundary conditions of gender diversity in top teams.....	98
4.1. Introduction.....	101
4.2. Theoretical framework and hypotheses.....	104
4.2.1 Percentage of women in the business.....	109
4.2.2. Participative decision-making.....	111
4.2.3. Compensation of TMT.....	112
4.2.4. Curvilinear relationship.....	114
4.3. Methodology.....	116
4.3.1. Database and sample.....	116
4.3.2. Empirical strategy.....	117
4.3.3. Measures.....	118
4.3.4. Results.....	121
4.5. Discussion and conclusion.....	126
4.5.1. Implications.....	130
4.5.2. Limitations and future research.....	131
Bibliography.....	133
CAPÍTULO 5. Conclusiones, implicaciones y futuras líneas de investigación.....	143
5.1. Introducción.....	145
5.2. Conclusiones del trabajo de investigación	145
5.3. Implicaciones del trabajo de investigación.....	150

5.4. Futuras líneas de investigación.....	153
Bibliografía	156

ÍNDICE DE TABLAS

Table 2.1. Descriptive statistics and correlations.....	34
Table 2.2. Logistic regression analysis.....	34
Table 3.1. Descriptive statistics and correlations among variables.....	77
Table 3.2. Coefficient and standard errors of models predicting performance.....	78
Table 4.1. Descriptive statistics and correlations among variables.....	124
Table 4.2. OLS regression analysis	125

ÍNDICE DE FIGURAS

Figure 2.1. Research model.....	24
Figure 2.2. Interaction of poverty with government social assistance and new venture Creation.....	37
Figure 2.3. Interaction of education level with government social assistance and new venture creation.....	37
Figure 2.4. Interaction of extreme poverty level in the relationship education level and government social assistance and new venture creation.....	39
Figure 2.5. Interaction of moderate poverty level in the relationship between education level and government social assistance and new venture creation.....	40
Figure 3.1. Research model.....	65
Figure 3.2. Plotted interaction between pay gap and informality.....	79
Figure 3.3. Plotted interaction between pay gap and social movements.....	80
Figure 3.4. Plotted interaction between pay gap and new venture.....	80

Capítulo - 1

Introducción

Capítulo– 1

Introducción

1.1. Introducción al objeto tema de estudio

Hace casi 20 años, Prahalad y Lieberthal (1998) introdujeron el concepto de “*base of the pyramid*” o “base de la pirámide” para hacer referencia al 70% de la población, es decir, a los 4.000 millones de personas que viven por debajo del umbral de la pobreza (Prahalad, 2006; Tasavori, Zaefarian y Ghauri, 2015). Desde entonces, este concepto ha sido ampliamente priorizado tanto por los investigadores en emprendimiento y pobreza como en las cumbres de desarrollo internacionales. En este contexto, académicos y decisores de política han identificado el emprendimiento como un mecanismo de alivio de la pobreza, al identificar el fenómeno emprendedor como un medio a través del cual las personas que engloban la base de la pirámide podrían tener una oportunidad para romper con el ciclo de la pobreza (Peredo y Chrisman, 2006; Hart, 2007). Frente a la visión emprendedora centrada en los beneficios potenciales que la base de la pirámide ofrece a las empresas multinacionales a través de la venta de productos de calidad a precios asequibles (London, 2009; Kuriyan, Nafus y Mainwaring, 2012; Blocker, et al., 2013), una corriente alternativa, que está adquiriendo cada vez más relevancia debido a su cambio de perspectiva, se centra en una visión más activa de los pobres tratando de entender cómo ayudarles a crear sus propios negocios (Prahalad, 2006; Shetty, 2010; Hall, Stelvia, Sheehan y Silvestre, 2012; Bruton, Ketchen y Ireland, 2013). Siguiendo esta segunda corriente, el nexo entre emprendimiento y pobreza viene dado por la determinación de que empezar un negocio puede ser una manera de mejorar la situación de estos individuos. Sin embargo, hasta la fecha, las herramientas para fomentar el emprendimiento en individuos con escasos recursos han sido difíciles de definir; unido al hecho de que la crisis financiera global ha tenido un efecto devastador arrojando a más

personas a vivir en situaciones de escasez. Esto hace necesario acometer un análisis de aquellos factores que, a nivel de políticas públicas, están afectando a la elección de empezar un negocio así como de aquellas variables que, a nivel de empresa, influyen en los beneficios económicos de un negocio creado por individuos viviendo en la base de la pirámide.

1.2. Objetivo de la investigación

Por todo lo anteriormente expuesto, el propósito de esta tesis doctoral es contribuir al conocimiento de la naturaleza del proceso emprendedor en la base de la pirámide. Para ello, esta tesis enfoca el problema en dos direcciones. Por un lado, realizando un análisis de cómo determinadas políticas gubernamentales afectan a las decisiones de los integrantes de la base de la pirámide a la hora de crear una empresa y, por otro lado, identificando qué factores (y cómo) determinan los beneficios económicos de las empresas creadas por individuos viviendo en la base de la pirámide. De esta forma, los tres los capítulos 2, 3 y 4 presentados ponen especial énfasis en aunar contribuciones teóricas y prácticas así como nuevas variables de análisis que proveen una visión más amplia y detallada para el estudio del proceso de creación de empresas en la base de la pirámide. A continuación, se explicarán brevemente los tres capítulos que siguen a esta introducción.

1.3. Estructura del trabajo de investigación

El capítulo 2 se titula *“When is venture creation a rational choice for the poor? The role of government assistance, education and poverty”*. En este capítulo se provee como contribución un análisis de la influencia de las políticas gubernamentales en materia de asistencia a la cobertura de las necesidades básicas sobre la decisión de crear nuevas empresas en la base de la pirámide. Este análisis va más allá de los estudios tradicionales en la materia, no limitándose a las políticas gubernamentales de asistencia primaria sino también

identificando dos variables determinantes que pueden estar afectando a esa relación entre gobierno y emprendimiento: los niveles de pobreza y la educación. De este modo el objetivo principal de este capítulo es ayudar a explicar cómo la asistencia social del gobierno da forma a las preferencias de los individuos que se encuentran inmersos en situaciones de escasez. Este objetivo está vinculado con el argumento de Ansari, Munir y Gregg (2012), basado en la idea de que la pobreza es mucho más que un asunto político y económico, englobando también una fuerte dimensión social. Por tanto, no se deben ignorar los aspectos sociales inherentes a las situaciones de pobreza.

Más concretamente, el análisis planteado en este segundo capítulo se basa en una muestra de 8.808 individuos obtenida de la Encuesta de Evaluación de la Protección Social 2010 elaborada por el gobierno de la República Dominicana. Se fundamenta en la *rational choice theory* (Scott, 2000) para ofrecer una perspectiva basada en la satisfacción más que en la maximización de los individuos de la base de la pirámide hacia la creación de nuevas empresas y el papel que los recursos limitados y la elección juegan en dicha conducta. Los resultados obtenidos expanden la aplicación de la *rational choice theory*. Concretamente, este capítulo ayuda a explicar cómo la asistencia social del gobierno da forma a las preferencias de los individuos que se encuentran inmersos en situaciones de escasez. Este capítulo provee evidencia de que recibir apoyo del gobierno no siempre fomenta el emprendimiento en la base de la pirámide. De hecho, es más probable que impulse a los individuos hacia un empleo asalariado que hacia la creación de nuevas empresas cuando ningún otro factor es tenido en cuenta. Sin embargo, considerando factores adicionales como la educación, los resultados obtenidos cambian. Para los pobres, la influencia de la educación funciona diferente que para la gente con más recursos. Si bien la educación favorece el efecto positivo de la asistencia gubernamental sobre la creación de empresas, esto no se mantiene en individuos que, teniendo mayor nivel educativo, no reciben asistencia del gobierno. Es decir, aquellos con

más nivel de educación en la base de la pirámide muestran una conducta diferente con respecto a la creación de empresas si ellos reciben apoyo del gobierno que si no lo reciben. Asimismo, este capítulo provee evidencia de que aquellos individuos viviendo en extrema pobreza es más probable que creen un nuevo negocio si reciben apoyo del gobierno. Finalmente, se observa que el nivel de pobreza influye en el efecto del nivel de educación y asistencia social del gobierno sobre la creación de nuevas empresas. Analizados conjuntamente, los resultados indican que comprender el efecto de políticas sociales en la creación de nuevas empresas es claramente más complejo y multidimensional de lo que se creía. Este conocimiento es clave si la creación de empresas es un mecanismo fiable de alivio de la pobreza en países en desarrollo (Seelos y Mair, 2007).

Este capítulo ha sido el resultado de un modelo inicial que ha ido evolucionado y mejorando a partir de los comentarios y sugerencias obtenidos en las diferentes conferencias en las que se han presentado los resultados obtenidos de los análisis: *SMS Annual International Conference, the Annual Conference of the European Academy of Management* o el 2015 *Ratio Colloquium for Young Social Scientists*.

El proceso de creación de empresas puede implicar uno o más individuos. Es por ello que un análisis completo del fenómeno emprendedor en torno a la creación de empresas en la base de la pirámide conlleva contemplar dos perspectivas: una a nivel individual – abordada en el capítulo 2 - centrada en el individuo y otra a nivel colectivo que será la empleada en los capítulos 3 y 4. El fenómeno emprendedor a nivel colectivo versa sobre un cambio de perspectiva respecto a la tradicional visión emprendedora centrada en el individuo (Peredo y Chrisman, 2006). Esta corriente del emprendimiento está adquiriendo cada vez más fuerza y relevancia, especialmente en el ámbito de la base de la pirámide, y versa sobre negocios emprendedores colectivos denominados “*community-based enterprises*” o “empresas basadas

en la comunidad”. Estos negocios colectivos, cuya forma organizativa puede ser cooperativas, asociaciones, etc, presentan características específicas alejadas de las teorías del emprendimiento tradicional y son ampliamente conocidos por perseguir objetivos sociales centrados en la comunidad (Datta y Gailey, 2012; Short, Moss y Lumpkin, 2009). Este tipo de negocios son especialmente relevantes en la base de la pirámide debido a que ofrecen la posibilidad de que personas que viven en situaciones de escasez pongan en común sus recursos limitados para la creación de empresas cuyos principales objetivos son beneficiar a la comunidad a la que pertenecen. Estas empresas constituyen un fenómeno global que está adquiriendo cada vez más relevancia. Un ejemplo de ello lo representa Brasil, donde el gobierno creó en 2003 el National Secretariat de Economía Solidaria para hacer un seguimiento detallado de las empresas basadas en la comunidad existentes en el país. Su impacto ha sido tal que entre 2001 y 2011 este tipo de negocios ayudaron a reducir la pobreza un 57% de acuerdo al Instituto Brasileño de Investigación en Economía Aplicada. Además, y apostando por la misma línea seguida en Brasil, recientemente el Banco Mundial ha concedido en 2017 un préstamo de 100 millones de dólares para apoyar cooperativas agrícolas en China.

El segundo y tercer capítulo de esta tesis doctoral ahondan en el estudio de estas empresas desde dos dimensiones fundamentales que no sólo tienen aplicabilidad en el ámbito del emprendimiento sino de la literatura de gestión de empresas en general: las diferencias salariales y la presencia de mujeres en equipos directivos. Dos dimensiones que aún a pesar de su relevancia, no han recibido atención suficiente en el ámbito de empresas creadas en la base de la pirámide y basadas en la comunidad.

El capítulo 3 se titula *“Equality or inequality? That’s the question. The performance impact of pay gaps in cooperative businesses”* e implica un análisis complementario al

anterior capítulo, al mismo tiempo que añade un nuevo enfoque del fenómeno emprendedor. Si bien el capítulo 2 de la tesis se centra en el proceso de elección hacia la creación de empresas, este capítulo 3 va un paso más allá en un análisis de variables que afectan a los beneficios económicos de empresas que ya se han creado. Concretamente, este capítulo realiza un análisis de la influencia de las diferencias salariales en los beneficios económicos de empresas basadas en la comunidad. Este capítulo viene motivado por el hecho de que un conjunto clave de decisiones estratégicas en el proceso de formación de nuevas empresas gira en torno a si es mejor adoptar una estructura salarial relativamente plana con pequeñas diferencias salariales o, por el contrario, una estructura más jerárquica con sustanciales diferencias salariales entre aquellos individuos que ocupan puestos en la parte más alta frente a los que ocupan la base. Tomando como referencia dos teorías ampliamente consolidadas en los trabajos sobre diferencias salariales, *behavioral theories of relative deprivation* (Cowherd y Levine, 1992; Martin, 1981) y *tournament theory* (Lazear y Rosen, 1981; Rosen, 1986; O'Reilly et al, 1988), este capítulo se centra en un contexto muy apropiado para analizar la interacción de dichas teorías: empresas altamente cooperativas como son las empresas basadas en la comunidad. Para este capítulo se analizaron cerca de 6.000 empresas basadas en la comunidad y extraídas de la Encuesta de Economía Solidaria elaborada por el gobierno de Brasil. Combinando las teorías de *behavioral theories of relative deprivation* y *tournament theory*, este capítulo argumenta en línea con la *tournament theory* que las nuevas empresas cooperativas pueden obtener beneficios de las diferencias salariales, pero consistente con las *behavioral theories of deprivation* se argumenta que esta relación positiva está moderada por tres factores hasta entonces no abordados en la literatura previa: la informalidad del negocio, la implicación del negocio en movimientos sociales y la edad del negocio. Los resultados de este capítulo proveen fuerte evidencia empírica de que ambas teorías ayudan a explicar la relación entre diferencias salariales y beneficios económicos. Los resultados apoyan la

relación positiva entre diferencias salariales y rendimientos económicos además de los efectos amortiguadores de la informalidad y la edad del negocio. Sin embargo, y contrariamente a lo esperado, se encontró que el impacto de una alta implicación en movimientos sociales fortalece la influencia de las diferencias salariales sobre el rendimiento económico. Asimismo, y también de forma algo contraintuitiva, los resultados indican que estar implicado en movimientos sociales no está relacionado con una mayor orientación hacia la igualdad.

Este análisis amplía la *behavioral theory of relative deprivation*, que establece que las diferencias salariales son perjudiciales para la empresa y su rendimiento (Cowherd y Levine, 1992; Martin, 1981). Este capítulo demuestra que esta predicción no se mantiene en los negocios, ni siquiera en aquellos centrados en la comunidad, los cuales deberían estar más orientados a la igualdad. Concretamente este capítulo proporciona evidencia empírica de la existencia de un efecto positivo de las diferencias salariales sobre los rendimientos económicos de la empresa incluso para aquellos negocios altamente cooperativos que se mantienen alejados de los tradicionales entornos competitivos. Además, este capítulo avanza la comprensión de aquellas contingencias que afectan a la relación entre diferencias salariales y beneficios económicos, incluyendo la formalidad de la empresa, el grado de implicación del negocio en movimientos sociales y la edad de la empresa. De este modo, se amplía la literatura de emprendimiento previa sobre diferencias salariales que se ha centrado mayormente en diferencias salariales de las mujeres en los negocios (Greene, Brush, Hart y Saporito, 2001; Francine y Lawrence, 2007; Morley, 1978; Pucheta-Martínez y Bel-Oms, 2015; Wayne, Hussey y Jetter, 2011).

Este capítulo también ha sido el resultado de un modelo que se ha ido mejorando y completando con los comentarios y sugerencias obtenidos en diferentes conferencias en las

que ha sido presentado: *Babson College Entrepreneurship Research Conference* o *the Annual Meeting of the Academy of Management*.

El capítulo 4, titulado “*The boundary conditions of gender diversity in top teams*” va un paso más allá en la comprensión del fenómeno emprendedor en la base de la pirámide. Si bien el capítulo 2 se centra en la primera etapa del proceso de creación de empresas: crear o no crear, y en el capítulo 3 se analizan el impacto de las diferencias salariales entre aquellos en el top y aquellos en la base sobre los beneficios económicos y qué factores pueden estar afectando esa relación, este cuarto capítulo se centra en la parte top de la empresa con un análisis enfocado en la mujer. Este capítulo viene motivado por el hecho de que cada vez más mujeres están adquiriendo posiciones relevantes a nivel directivo. A nivel de la base de la pirámide, las empresas basadas en la comunidad pueden convertirse en importantes instrumentos de empoderamiento de la mujer en muchos países en desarrollo. Las mujeres trabajan individualmente, con frecuencia aisladas, en la economía informal, operando a un nivel muy bajo de actividad por un beneficio marginal muy reducido. Unir sus fuerzas en pequeñas empresas basadas en la comunidad puede proveer a las mujeres con la ventaja económica, social, moral y política que ellas necesitan. Este capítulo analiza la influencia de la diversidad de género en los equipos directivos sobre los beneficios económicos de empresas basadas en la comunidad y cómo dicha relación puede estar afectada por determinadas variables. Para ello, el análisis se basa en una muestra de 11.052 empresas basadas en la comunidad extraídas de la Encuesta de Economía Solidaria elaborada por el gobierno de Brasil y utilizada también en el capítulo 3. Como se ha mencionado con anterioridad, este capítulo viene motivado por el hecho de que cada vez más mujeres están adquiriendo posiciones relevantes a nivel directivo. Sin embargo, su influencia sobre los beneficios económicos de las empresas no está clara con estudios hasta la fecha mostrando efectos positivos (Campbell y Mínguez-Vera, 2008), negativos (De Andres et al., 2005), o

ningún efecto (Rose, 2007). Este capítulo se basa en la *role gender theory* (Eagly, 1987) y la *tokenism perspective* (Torchia et al., 2011) para analizar, por un lado, la influencia de la diversidad de género en los equipos directivos y examinar tres variables que pueden estar afectando dicha relación: porcentaje de mujeres en el negocio, nivel de democracia definido por el número de reuniones de la asamblea general de los miembros del negocio para la toma de decisiones y la recepción de compensaciones por pertenencia al equipo directivo. Asimismo, por otro lado, y con el fin de arrojar luz sobre los resultados contradictorios encontrados en la literatura acerca de la influencia de la presencia de mujeres en equipos directivos sobre los beneficios económicos, este capítulo analiza la posibilidad de existencia de una relación curvilínea que justifique dicha falta de consenso en la literatura.

Los resultados proporcionan evidencia empírica de la influencia positiva de las mujeres en los equipos directivos sobre los beneficios económicos de la empresa. Sin embargo, se observa que una mayor presencia de mujeres en los negocios o ambientes más democráticos incentivados por un mayor número de reuniones en la toma de decisiones participativas no acentúa el efecto de la presencia de mujeres directivas sobre los beneficios económicos de las empresas. Por otro lado, la presencia de incentivos económicos en forma de compensaciones a los directivos sí influye en potenciar el efecto de la mujer sobre el beneficio económico de la empresa. Por último, este capítulo arroja luz sobre un efecto de U invertida mostrando que, aunque la presencia de mujer en los equipos directivos es positiva para los beneficios económicos, hay un punto de inflexión donde mayor presencia de mujeres comienza a ser perjudicial.

Finalmente, el quinto capítulo de la presente tesis doctoral, recoge las principales conclusiones de los diferentes capítulos que la integran así como algunas futuras líneas de investigación.

Bibliografía

- Ansari, S., Munir, K., y Gregg, T. (2012). 'Impact at the 'bottom of the pyramid': the role of social capital in capability development and community empowerment'. *Journal of Management Studies*, **49(4)**, 813-842.
- Blocker, C. P., Ruth, J. A., Sridharan, S., Beckwith, C., Ekici, A., Goudie-Hutton, M., y Varman, R. (2013). 'Understanding poverty and promoting poverty alleviation through transformative consumer research'. *Journal of Business Research*, **66(8)**, 1195-1202.
- Bruton, G. D., Ketchen, D. J., y Ireland R. D. (2013). 'Toward a research agenda on the informal economy'. *Academy of Management Perspectives*, **26**, 1–11.
- Campbell, K., y Mínguez-Vera, A. (2008). 'Gender diversity in the boardroom and firm financial performance'. *Journal of business ethics*, **83(3)**, 435-451.
- Cowherd, D. M., y Levine, D. I. (1992). 'Product quality and pay equity between lower level employees and top management: An investigation of distributive justice theory'. *Administrative Science Quarterly*, **37(2)**, 302-320.
- Datta, P.B., y Gailey, R. 2012. Empowering Women through Social Entrepreneurship: Case Study of a Women's Cooperative in India. *Entrepreneurship Theory & Practice*, 569-587.
- De Andres, P., Azofra, V., y Lopez, F. (2005). 'Corporate boards on OECD countries: Size, composition, functioning and effectiveness'. *Corporate Governance: An International Review*, **13(2)**, 197-210.

- Eagly, A.H. 1987. Sex differences in social behavior: A social-role interpretation. Hillsdale, NJ: Erlbaum.
- Francine, B., y Lawrence, M. (2007). ‘The gender pay gap: Have women gone as far as they can?’ *Academy of Management Perspectives*, **21(1)**, 7-23.
- Greene, P. G., Brush, C. G., Hart, M. M., y Saporito, P. (2001). ‘Patterns of venture capital funding: is gender a factor?’ *Venture Capital: An international journal of entrepreneurial finance*, **3(1)**, 63-83
- Hall, J., Stelvia, M., Sheehan, L. y Silvestre, B. (2012). ‘Entrepreneurship and innovation at the base of the pyramid: a recipe for inclusive growth or social exclusion?’ *Journal of Management Studies*, **49**, 785–12.
- Hart, Stuart. (2007). *Capitalism at the crossroads*. Wharton School Publishing Co. Philadelphia: Pennsylvania.
- Kuriyan, R., Nafus, D., y Mainwaring, S. (2012). ‘Consumption, technology, and development: the “poor” as “consumer”’. *Information Technologies & International Development*, **8(1)**, 1-12.
- Lazear, E. P., y Rosen, S. (1981). ‘Rank-order tournaments as optimum labor contracts’. *Journal of Political Economy*, **89**, 841-864.
- London, T. (2009). ‘Making better investments at the base of the pyramid’. *Harvard Business Review*, **87(5)**, 106-113.

- Martin, J. (1981). Relative deprivation: A theory of distributive injustice for an era of shrinking resources. In L. L. Cummings and B. M. Staw (Ed.), *Research in Organizational Behavior*, **3**, 53-107. JAI Press: Greenwich, CT.
- Morley, G. (1978). 'The influence of the status and sex composition of occupations on the male-female earnings gap'. *Industrial and Labor Relations Review*, **31(2)**, 217-226.
- O'Reilly III, C. A., Main, B. G., y Crystal, G. S. (1988). 'CEO compensation as tournament and social comparison: A tale of two theories'. *Administrative Science Quarterly*, **33(2)**, 257-274
- O'Reilly III, C. A., Main, B. G., y Crystal, G. S. (1988). 'CEO compensation as tournament and social comparison: A tale of two theories'. *Administrative Science Quarterly*, 257-274.
- Peredo, A. M., y Chrisman, J. J. (2006). 'Toward a theory of community-based enterprise'. *Academy of Management Review*, **31(2)**, 309-28.
- Prahalad, C. K. (2006). *The Fortune at the Bottom of the Pyramid: Eradicating Poverty Through Profits*. Pennsylvania: Wharton School Publishing.
- Prahalad, C. K., y Lieberthal, K. (1998). 'The end of corporate imperialism'. *Harvard Business Review*, 76, 68-79.
- Pucheta-Martínez, M.C., y Bel-Oms, I. (2015). 'The gender gap in pay Company boards'. *Industrial and Corporate Change*, **24(2)**, 467-510.
- Rose, C. (2007). 'Does female board representation influence firm performance? The Danish evidence'. *Corporate Governance: An International Review*, **15(2)**, 404-413.

- Rosen, S. (1986). 'Prizes and incentives in elimination tournaments'. *The American Economic Review*, **76**, 701-715.
- Scott, J. (2000). 'Rational choice theory'. In Browning, G., Halcli, A. and Webster, F. (Eds.), *Understanding Contemporary Society: Theories of the Present*. New York: Sage, 126-38.
- Seelos, C., y Mair, J. (2007). 'Profitable business models and market creation in the context of deep poverty: A strategic view'. *Academy of Management Perspectives*, **21(4)**, 49-63.
- Shetty, S. (2010). 'Microcredit, poverty and empowerment: exploring the connections'. *Perspectives on Global Development and Technology*, **9**, 356-90.
- Short, J.C., Moss, T.W., y Lumpkin, G.T. 2009. 'Research in Social Entrepreneurship: Past Contributions and Future Opportunities'. *Strategic Entrepreneurship Journal*, 3: 161-194.
- Tasavori, M., Zaefarian, R. y Ghauri, P.N. (2015). 'The creation view of opportunities at the base of the pyramid'. *Entrepreneurship & Regional Development*, 27(1-2): 106-126.
- Torchia, M., Calabrò, A., y Huse, M. 2011. Women directors on corporate boards: From tokenism to critical mass. *Journal of Business Ethics*, 102: 299-317.
- Wayne, G., Hussey, A., y Jetter, M. (2011). 'The gender pay gap beyond human capital'. *Journal of Human Resources*, **46(4)**, 827-874.

Capítulo - 2

When Is New Venture Creation a Rational Choice for the Poor? The Role of
Government Assistance, Education and Poverty

Capítulo - 2**When Is New Venture Creation a Rational Choice for the Poor? The Role of Government Assistance, Education and Poverty**

Abstract:

We use rational choice theory to examine under which conditions government social assistance translates into new venture creation by recipients, and how do levels of poverty and education affect this relationship. Data on 8808 individuals included in the 2010 Social Protection Evaluation Survey developed by the Dominican Republic government indicate mixed effects of government social assistance, education, and poverty on new venture creation. While government social assistance by itself had no effect, levels of poverty and education played crucial roles in whether people at the base of the pyramid who were receiving government social assistance started new ventures. Our results provide evidence of their venturing behavior for both research and public policy.

Keywords: rational choice theory, government social assistance, base of the pyramid, new venture creation, education level, poverty

Capítulo - 2**When Is New Venture Creation a Rational Choice for the Poor? The Role of Government Assistance, Education and Poverty**

2.1 Introduction

Does government social assistance help shape low-income individuals' proclivity toward new venture creation (NVC)? And what role do education and poverty play in whether these individuals create new ventures? The answer to these two questions is not clear, yet they are of particular relevance not only for governments but also for scholars interested in understanding the process of new venture creation at the base of the pyramid (Barrientos, 2013; Barrientos and Hulme, 2008; Besharov and Call, 2009; McCord, 2010; Xavier-Oliveira, Laplume and Pathak, 2015). The bottom of the pyramid (BOP) represents around 70% of the world's population, that is, 4 billion people globally who live below the poverty line (Prahalad, 2010; Tasavori, Zaefarian and Ghauri, 2015). Starting a business can be a way to improve their situation. However, it is not clear what factors affect their choice to start a business, especially when government social assistance is provided.

In this paper we use rational choice theory (RCT) to examine how government social assistance (GSA) shapes individuals' choices in creating new businesses, and analyze the role that education and poverty play in affecting this relationship. RCT contends that "all action is fundamentally "rational" in character, and that people calculate the likely costs and benefits of any action before deciding what to do" (Scott, 2000, p.126). Scholars in this tradition contend that availability of resources shapes the individual's choices: the fewer resources, the more rational (that is, closely calculated) the choice (Luebker, 2014). Yet little is known about how the mechanism operates. While RCT is useful by providing a first approximation at the decision making process that drives individuals at the BOP to start new ventures, its reach in

terms of explaining the dimensions of that decision has been limited, because of the nature of choices, incomplete information, and the role that context plays in the decision making of individuals.

This paper extends RCT, shifting the focus to provide evidence of the satisficing rather than maximizing approach of individuals toward new venture creation at the BOP, and the role limited resources and choice play in that behavior. We contend that while the behavior of BOP individuals with respect to new venture creation is rational, it is satisficing rather than maximizing, and that context variables affect the choices so that they will look to satisfy rather than maximize their outcomes. We follow Sen (1999) who suggested that focusing merely on inadequate income and wealth does not provide a holistic picture of people in developing economies; it is more pertinent to examine the choices, or lack of them, that the poor are compelled to confront.

This study contributes to both the entrepreneurship literature and rational choice theory. Our results are consistent with, and extend rational choice theory; in particular, with regard to the role that scarcity plays in choices. Specifically, this study helps explain how government social assistance shapes individuals' preferences under scarcity. We provide evidence that receiving support from the government does not always encourage entrepreneurship at the base of the pyramid. Indeed, it is more likely to push individuals toward wage employment than toward creating a new business when no other additional factors are considered such as education or poverty levels.

Second, our study sheds light on how limited resources and education may jointly affect individuals' rational choices toward becoming entrepreneurs. For the poor, education drives behavior differently than for people with more resources. We show that more education makes individuals at the BOP likelier to prefer wage employment to creating a new business

when they do not receive support from government. On the other hand, it strengthens the positive effect of government social assistance on NVC. That is, those educated at the BOP show different behavior with respect to NVC if they receive support from the government than if they do not.

Third, our analysis explores the relationship between NVC and poverty, in particular extreme poverty. We provide evidence that those individuals living in extreme poverty are more likely to create a new business if they receive support from the government. Finally, we find that poverty level does influence the effect of education level and government social assistance on NVC. This knowledge is key if NVC is to be trusted as a mechanism for poverty alleviation in developing economies (Seelos and Mair, 2007). Taken together, our results indicate that understanding the effect of social policies in new venture creation is clearly more complex than it was previously thought to be.

2.2. Theory and hypotheses

Rational choice theory emerged as a major item on the agenda of social scientists in 1990s (Young, 1997). It has been until recently the dominant approach for conceptualizing human action in the social sciences (Burns and Roszkowska, 2016). Sociologists and political scientists have built this theory on the basis that “all action is fundamentally rational in character and people calculate the likely costs and benefits of any action before deciding what to do” (Scott, 2000, p.126). A fundamental premise is that each actor pursues his or her personal values and self-interest. Overall, this theory emphasizes the nature of human action and the capability of actors to make decisions. Individuals act within specific, given constraints and based on the information that they have about the conditions under which they are acting (Scott, 2000). The appeal of this theory has been well explained by Coleman (1986) who highlighted that the reason why rational action has “a unique attractiveness” as a basis

for theory is that is a conception of action based on cost and benefits analysis where individuals pursue their goals effectively.

Critics contend that a key limitation of this theory is its inability to effectively deal with collective action, the co-operation of individuals in groups, associations, and other forms of joint action. In this sense, the relevance of this theory relies on the idea that the elementary unit of social life is the individual human action (Elster 1989). This is more evident in those environments where the scarcity makes individuals be more rational in their choices and in pursuing their own self-interest. Satz and Ferejohn (1994) have argued that “rational choice explanations gain explanatory power from features of the agent environment” (p. 72). Further, they contend that “rational choice theories are most credible in conditions of scarcity, where human choice is severely constrained...all of the cases where rational choice theory is a strong predictive theory are ones in which the theory is relying on interests that are determined by the agent’s environment” (p. 81).

One such environment is the base of the pyramid, where resource constraints are a key element of the individual’s environment. Unfortunately, even although it represents a great research opportunity context to apply this theory, few studies have focused on it and those have paid attention mostly to income (Luebker, 2014), yet other resources might affect those relationships. The current study advances research on how the availability of resources help shape individual’s choices with respect to new venture creation by using the RCT in the context of government assistance. According to theory, the fewer resources, the more rational decisions the individual will make. Hence, this makes the BOP a potential and appropriate context to apply this theory in an attempt to extend the application of this theory and understand better how individuals at the BOP. This study takes into account two kinds of

resources: ones imposed by the resources of individuals and ones resulting from government support through social policies.

Rational choice theory has been applied to multiple fields such as religion (Young, 1997); rational addiction (Becker and Murphy, 1988); criminal behavior for analyzing crime control policies (Cornish and Clarke, 1987); voting behavior (Blais, 2000) or income inequality and poverty (Luebker, 2014). We follow and extend the latter. In the entrepreneurship literature, RCT has been utilized to examine the entrepreneurial orientation of religious congregations (Pearce, Fritz and Davis, 2009). In this study, we examine choice of new venture creation for individuals taking into account the role of poverty (Luebker, 2014) and education levels on that decision given the presence of government social assistance. Figure 1 presents the research model.

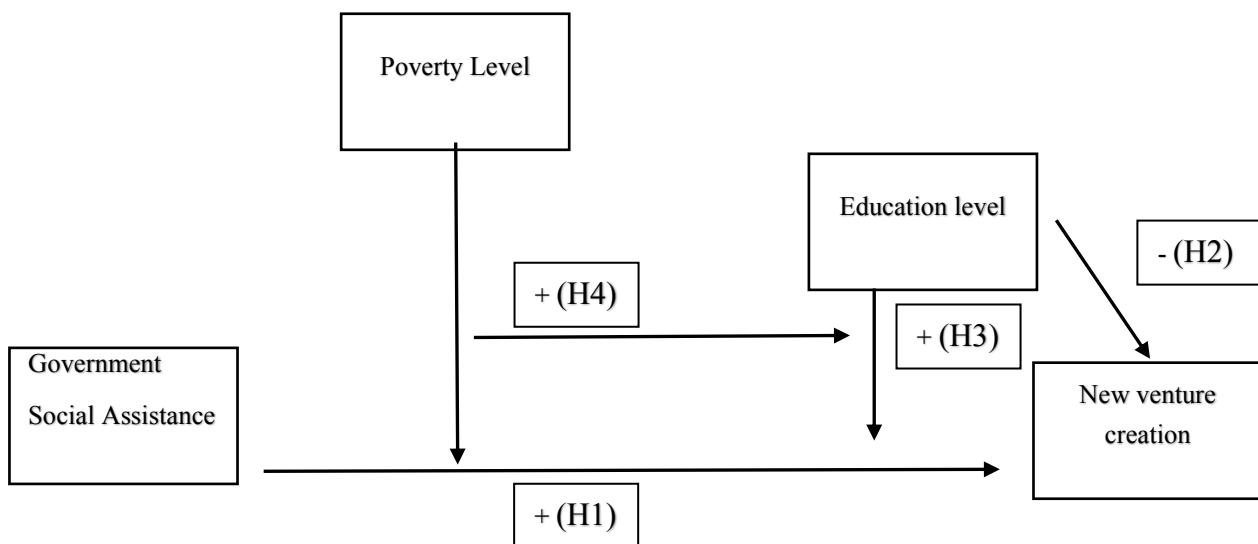


Figure 2.1. Research model

2.2.1. Government social assistance, poverty and new venture creation

Our research addresses a key question: under which conditions would individuals in poverty start a new venture. Both rational choice theory and the entrepreneurship literature

have addressed the effect of income on individual behavior. So far, scholarship has provided mixed evidence about why impoverished individuals create businesses. The underlying premise is that people at the base of the pyramid create businesses because they lack alternative options; that is, they are necessity entrepreneurs. In that context, and lacking alternatives, NVC becomes a rational choice for those individuals. They accept the high costs of venturing because they lack employment opportunities (Alvarez and Barney, 2014; Khavul, 2010; Luebker, 2014; Viswanathan et al., 2014; Webb, Bruton, Tihanyi and Ireland, 2013). They may not have any means of subsistence other than creating a small business, often informal (De Castro, Khavul, and Bruton, 2014). The underlying argument is that if those individuals had their basic needs covered, they would not necessarily want to become entrepreneurs. However, Rosa and colleagues (2007) found that the relationship between necessity and business start-up, though significant, was in the opposite direction from that predicted by the “necessity hypothesis”: those with low incomes were less likely to start a business. Therefore, previous research has not provided clear arguments on this relationship.

We contend that other factors affect their decision to create a new venture, such as the role of government. Governments can provide indirect help through different social policies not directly focused on NVC. Government social assistance, by increasing the resources those individuals have available, could make the choice to start new ventures more attractive due to two reasons. First, some of their basic needs would be covered by this assistance, and secondly, the alternative of a paying job would be still remote, given employment characteristics at the BOP. Thus, it could make sense that is more rational to allocate resources to start NVC in this situation.

In developing countries, policy tends to be concerned with social transformation, and social protection is not an exception. The different definitions of social protection adopted by

organizations, governments and scholars reflect the different perspectives on development on which they are grounded. However, the idea that the social protection aims to protect the poor from the hazards they face, and prevent households from descending into extreme poverty as a result of adverse shocks is well established (Barrientos and Hulme, 2016). United Nations (2000) defines the social protection as “a set of public policies undertaken to provide assistance to families with children as well as provide people with basic health care and housing” (p.4). It is underpinned by shared “fundamental values concerning acceptable levels and security of access to income, livelihood, employment, health and education services, nutrition and shelter“ (United Nations 2000, p.4). This approach extends the role of social protection to securing basic needs as a precondition for human and economic development. So far, research on new venture creation and the role of government has concentrated on either examining government social assistance geared to new venture creation (Bakhtiari, 2006; De Soto, 2003) or that geared toward poverty alleviation mainly through the mechanism of microcredits (Barrientos, 2013; Barrientos and Hulme, 2008; Besharov and Call, 2009; McCord, 2010). However, little is known about 1) how other social policies not specifically focused on promoting entrepreneurship can affect the decision making of those individuals toward new venture creation and 2) how does the level of poverty influences preferences toward NVC when individuals have part of their basic needs covered with social policies provided by the government.

We formalize these arguments into hypothesis and we contend that rational choice theory suggests that given resource scarcity at the base of the pyramid, an individuals’ first preference should be to use their limited resources to satisfy immediate basic needs, discouraging new venture creation. The cost involved in investing in new venture creation would not allow them to cover their basic needs until starting to get benefits.

For those with higher levels of poverty, NVC is more problematic and challenging because of resource restrictions. Even though creating a new business can bring income, the very poorest may not be able to meet the costs of startup. Rosa and colleagues (2007) found that low-income people were less likely to start a business because they often had to work long hours for just enough income to survive. They had insufficient margins to save, and any savings were used to pay debts. In time, the ambition to escape through starting a new enterprise evaporated.

However, government social assistance can alter that equation and allow people to trade off the benefits of new venture creation against its costs, with part of their needs covered. With part of their needs covered by GSA, individuals at the base of the pyramid might be more likely to divert other resources toward starting their own firms.

In this context, NVC becomes a more rational choice and a less costly tradeoff despite its high risk, in particular given the difficulties for those at the base of the pyramid in finding regular employment. The actor in RCT is assumed to have full knowledge of her own situation, his/her action alternatives and payoff function (Burns and Roszkowska, 2016). Basing on this, the need to satisfy other non-covered basic needs and the low chances of getting wage work should encourage them to consider NVC. This effect will be stronger for those individuals living in extreme poverty. We propose that poverty level moderates the relationship between GSA and NVC. That is,

Hypothesis 1: Poverty positively moderates the relationship between government social assistance and new venture creation so that at higher levels of poverty, the relationship between government social assistance and new venture creation will be stronger than at lower levels.

2.2.2. Education and new venture creation

Within the entrepreneurship literature, the basic premise is that education has a positive effect on new venture creation (Robinson and Sexton, 1994). However, in developing countries and especially in BOP contexts, it is far from clear how education should affect NVC. On one hand, education level has been positively associated with new business creation (Bradley et al., 2012; Knight, Shi and Quheng, 2009; Xavier-Oliveira et al., 2015). It has been recognized that education could be especially relevant in developing countries because most general skills, knowledge, and information required to succeed in markets are simply absent (Atkinson, 2000; Hirschman, 1970; Kintgen, Kroll and Rose, 1998; Rosa and Viswanathan, 2007; Sen, 1999). However, other scholars have found that education decreases the likelihood of new venture creation (Rees and Shah, 1986). Even though more education might help individuals develop something new compared to existing businesses, the opportunity costs of NVC are very high.

From a RCT perspective, the opportunity costs of NVC for someone at the BOP but educated are key in this cost/benefit assessment. BOP entrepreneurs cannot invest time in self-improvement and training because of the long hours they have to spend in the business; their limited resources are invested—at high risk—in the business; and the marginal benefits of necessity businesses tend to be very low. As Le (2000) notes, “it is possible that a higher educational attainment may facilitate entry into wage/salary sector that depresses the likelihood of business ownership.” (p.3). Moreover, individuals with higher levels of education should have more fine-grained knowledge, and therefore be more efficient at assessing entrepreneurial opportunities (Rees and Shah, 1986; Xavier-Oliveira et al., 2015). Those entrepreneurial opportunities are likely to be subsistence self-employment opportunities (Alvarez and Barney, 2014; Shane, 2010). Thus, the rational choice for those

more educated should be to opt to try to get employment due to several reasons. It should be easier for them to get an employment, should provide more stable income and would not have attached the uncertainty associated to new venture creation. Therefore, and without considering other variables, the rational choice for those better educated should not be NVC. Thus,

Hypothesis 2: Education level will be negatively associated with new venture creation.

2.2.3. Government social assistance. education and new venture creation

However, what should happen to NVC when GSA and education level are examined in combination? While we contend earlier that the rational choice for those with higher levels of education is not to start new ventures, but to seek more stable employment, the presence of GSA might affect that relationship and make NVC a more rational, satisfying choice. Specifically, we contend that level of education should strengthen the positive relationship between GSA and NVC because of four main reasons: First, more education should make individuals more efficient in allocating GSA, and thus allow them to release more resources towards NVC. Second, the jobs available to those at the base of the pyramid might be low skills jobs with low salary (Hess, 2005) and would result on an unbalance between their education level and the wage job they can get. This, and the addition of GSA might incentivize them toward new venture creation as a more attractive option. Third, GSA, to the extent that it could help cover all or part of their basic needs should allow them to take more risks and to divert resources to NVC. Finally, individuals that are more educated should be able to evaluate existing opportunities more effectively, should have better skills and capabilities to allocate resources, and should be able to perform cost-benefit analysis of NVC taking into account the role that GSA plays in addressing their needs and alternative

possibilities for life and support. (Atkinson, 2000; Hirschman, 1970; Kintgen et al., 1998; Rosa and Viswanathan, 2007; Sen, 1999). Thus,

Hypothesis 3: Education positively moderates the relationship between government social assistance and new venture creation, so that at higher levels of education, the relationship between government social assistance and new venture creation will be stronger than at lower levels.

2.2.4. Government social assistance, education, poverty and new venture creation

Finally, if education and poverty levels individually strengthen the relationship between government social assistance and new venture creation, what should be their joint effects? Given the previous arguments on education and poverty, we expect that higher levels of poverty should strengthen the positive effects of education on the relationship between GSA and NVC due to several reasons. Those poorer but more educated should be better able to assess better business opportunities and the role that GSA could play for them and for their living situation. Second, for those at the BOP attempting to free themselves of poverty, finding and maintaining employment poses many challenges. For instance, transport barriers faced by low-income workers and potential workers prevent many from finding a job (Hess, 2005), thus for those poorer yet more educated, GSA might be what pushes them towards NVC. Thus, we contend that those poorer but more educated BOP individuals, that receive government social assistance, should be more likely to start new ventures than those less poor. Thus,

Hypothesis 4: Poverty level positively moderates the relationship between education level and government social assistance on new venture creation so that, at higher

poverty levels, the moderating effect of education level and social government assistance on new venture creation will be stronger than at lower levels.

2.3. Methodology

2.3.1. Data and Sample

For this study, we use data obtained from the 2010 Social Protection Evaluation Survey in the Dominican Republic. This is a census survey instrument developed by the Dominican government to assess the effect of government social assistance in reducing poverty in Dominican households. The government conducted a census and interviews of all households and individuals living in specific geographic areas. The sample includes both actual and potential recipients of government social assistance. The sample examines both individuals and households because social assistance is based on household parameters. The final sample comprised 8,808 individuals and 5,608 households. To test the hypotheses we used an OLS regression analysis.

2.3.2. Measures

Dependent variable. *New Venture Creation* is a dichotomous variable that takes the value of 1 if an individual created his/her own business, that is, if an individual is self-employed, and 0 otherwise.

Independent variables. *Government Social Assistance* is a count variable of the number of social policies received. It ranges from 0 to 6. It takes value 0 if an individual does not receive any kind of government social assistance and value 6 if the individual receives help through all of six Dominican government programs targeted at covering basic needs. Following the existing literature, we include direct money transfers and assistance for food, education,

health, gas, and electricity. *Programa Solidaridad*, which targets the mechanisms that transmit poverty from generation to generation, includes four components: *Comer es Primero* (eating is first), *ILAE* (education for children), *Bonogás* (assistance with heating gas) and *Bonoluz* (assistance with electricity payments). We also include *SENASA* (national health insurance). Additionally, because the existing literature has recognized that micro-entrepreneurs tend not to own real estate (Maldonado and Gonzalez-Vega, 2008; Weber and Ahmad, 2014), and little is known about how government land distribution can affect NVC, we include the social program called *Titulación de tierras/solares* (land titling). We analyze the global effect of these social programs to capture how they affect NVC. *Poverty Level* is a dichotomous variable categorized as either extreme or moderate. According to the World Bank, the extremely poor live on less than \$1/day and the moderately poor live on less than \$2/day (World Bank, 2010). The 2010 Social Protection Evaluation Survey surveys the poorest 40% of the Dominican population for that year. As this variable is at the household level, it takes value 1 if the household lived in extreme poverty and 0 otherwise. *Education Level* is a continuous variable determined by the last grade of schooling an individual received (no education, writing and reading, primary school, high school, vocational training, some college, college degree, postgraduate degree).

Control variables. We include a number of control variables to account for the alternate explanations of variance in the dependent variable. First, we control for *age*. This variable is measured as a continuous variable (Autio and Acs, 2010). Second, prior work has shown significant gender differences between men and women when creating a new business. It has been recognized that factors such as the tradition of society and the persisting notion that women (more than men) carry the primary responsibilities of the home and the family which generates important “work-home roles conflict” make women to be less entrepreneurs than men (Miskin and Rose, 1990; Stoner, Hartman and Arora, 1990). We control for *gender*

measured as a dummy variable (0=female; 1=male). Third, we attempt to control for those people living in the household who are potential dependents such as children or elders. This variable is called *dependents* and is operationalized as total percentage of household residents below 18 years old and above 65 years old. Fourth, previous research has demonstrated that *marital status* affects new venture creation (Amit, Muller and Cockburn, 1995; Choo and Wong, 2006; De Carolis, Litzky and Eddleston, 2009). The entrepreneurs in our sample reported between seven different types of marital status: domestic partnership, married, separated, separated from domestic partnership, divorced, widower, single. This variable is operationalized through a categorical variable (1-7). Fifth, the survey asked for the total

number of people living in the household. We control for that through a count variable of the number of people. This variable is called *people living in the household*. It differs from the variable *dependents* in that this variable covers all people living in the household regardless of age. Given the nature of living arrangements at the base of the pyramid, this number might be different than the number of dependents. Finally, given that resource scarcity is an important part of our arguments with regards of resources available for NVC, we include expenses for non-basic items such as tobacco, jewelry, donations to the church, lottery tickets, or birthday parties. This variable, defined as *non-basic needs*, is operationalized as a continuous variable.

2.4. Results

Table 2.1 provides descriptive statistics and the correlation matrix for individual and household variables. The results for the OLS regression analysis are shown in Table 2.2.

Table 2.1. Descriptive statistics and correlations

Variables	Mean	S.D.	A	B	C	D	E	F	G	H	I
A. New venture creation	0.54	0.49									
B. Poverty level	0.07	0.25	0.09*								
C. Social government assistance	2.67	1.18	0.06*	-0.01							
D. Education	4.04	1.47	-0.24*	-0.13*	-0.06*						
E Age	39.78	14.81	0.16*	0.05*	-0.01	-0.33*					
F. Gender	0.68	0.46	0.28*	0.05*	0.03*	-0.14*	0.01				
G. Dependents	0.41	0.23	0.01	0.03*	0.13*	-0.04*	0.04*	-0.07*			
H. Marital status	3.27	2.57	-0.04*	0.02	-0.03*	0.15*	-0.41*	0.02*	-0.12*		
I. Non basic needs	923.28	2643.85	-0.06*	-0.04*	-0.03*	0.10*	-0.02	-0.03*	-0.00	-0.01	
O. People living in the household	4.89	2.09	-0.06*	-0.02*	0.12*	0.04*	-0.20*	0.01	0.29*	0.01	0.10*

† $p < .10$; * $p < .05$; ** $p < .01$; *** $p < .001$.

N= 8,808

Table 2.2. Logistic regression analysis

	Model 1	Model 2	Model 3	Model 4	Model 5
Control:					
Age	0.014*** (0.001)	0.009*** (0.001)	0.014*** (0.001)	0.009*** (0.001)	0.009*** (0.001)
Gender	0.798*** (0.030)	0.743*** (0.031)	0.791*** (0.030)	0.747*** (0.031)	0.745*** (0.031)
Dependents	0.219** (0.063)	0.156** (0.064)	0.203** (0.063)	0.166** (0.064)	0.158* (0.064)
Marital Status	0.012* (0.006)	0.012* (0.006)	0.010† (0.006)	0.013* (0.006)	0.012† (0.006)
Non-basic needs	-0.001*** (5.72e-06)	-0.001** (5.66e-06)	-0.001*** (5.70e-06)	-0.001** (5.68e-06)	-0.001** (5.67e-06)
People living in the household	-0.027*** (0.007)	-0.032*** (0.007)	-0.027*** (0.007)	-0.032*** (0.007)	-0.031*** (0.007)
Poverty Level		0.301*** (0.059)	0.146 (0.126)		-0.123 (0.333)
Government Social Assistance		0.052*** (0.012)			-0.057 (0.040)
Education Level		-0.153*** (0.011)		-0.194*** (0.013)	-0.217*** (0.027)
H1: Poverty LevelxGSA			0.089† (0.043)		0.283* (0.121)
H3: Education LevelxGSA				-0.013*** (0.003)	0.026** (0.009)

H5: Education LevelxPovertyLevel					0.074 (0.085)
H6: GovernmentSocialAssistance xEducationLevelxPovertyLevel					-0.062* (0.031)
Log-likelihood	-5575.97	-5434.60	-5551.97	-5445.47	-5427.39
Number of obs	8808	8808	8808	8808	8808
R2	0.0806	0.1050	0.0857	0.1032	0.1062
Constant	-0.969*** (0.073)	-0.236* (0.100)	-0.974*** (0.074)	-0.0.69 (0.095)	0.034 (0.144)

† $p < .10$, * $p < .05$, ** $p < .01$, *** $p < .001$

To test the model proposed, as Table 2.2 shows, we first entered all the control variables in Model 1. We then entered the variable government social assistance (which includes food, children's education, heating gas, electricity, national health insurance, and land titling), poverty and education level in Model 2. Finally, in Models 3, 4, and 5 the interaction effects are included. Finally, model 6 presents the full model.

With respect to our control variables, we found that age, gender and dependents had very strong positive influence on new venture creation. Marital status also had a positive and significant influence on new venture creation but its impact was weaker. This raises the conclusion that, there is a positive relationship between being older, male, marital status, and having more dependents in the household and creating a new business. However, the effects of non-basic needs and people living in the household, although significant, were negative. This is very interesting because it highlights that if impoverished individuals become entrepreneurs when they do not have their basic needs covered, satisfying non-basic needs affects the likelihood of entrepreneurial behavior. Additionally, the negative influence of number of people living in the household on new venture creation was stronger than the positive effect of dependents.

Hypothesis 1 proposes that poverty level moderates the relationship between government social assistance and new venture creation so that at higher levels of poverty, the relationship

between government social assistance and new venture creation will be stronger than at lower levels. As shown in table 2.2, poverty level had a positive influence in the relationship between GSA and new venture creation. This means that providing GSA to those people living in extreme poverty is going to strengthen the likelihood to create new business. Thus hypothesis 1 is supported. The predictive margins are shown in figure 2.2.

Hypothesis 2 proposes that education level is negatively associated with new venture creation. Our results provide strong empirical evidence of this negative influence. Strengthening other scholar's argument that education discourages new venture creation, our results show that more educated individuals who don't receive support from government don't create new ventures. That is, we found strong evidence that more education makes individuals more averse to the risks of new venture creation. They prefer to get a wage job. Thus, hypothesis 2 is supported.

Hypothesis 3 proposes that the education positively moderates the relationship between government social assistance and new venture creation, so that at higher levels of education, the relationship between government social assistance and new venture creation will be stronger than at lower levels. Our results show that at higher education level did significantly strengthen that relationship. Thus, hypothesis 3 is supported. Figure 2.3 includes the predictive margins.

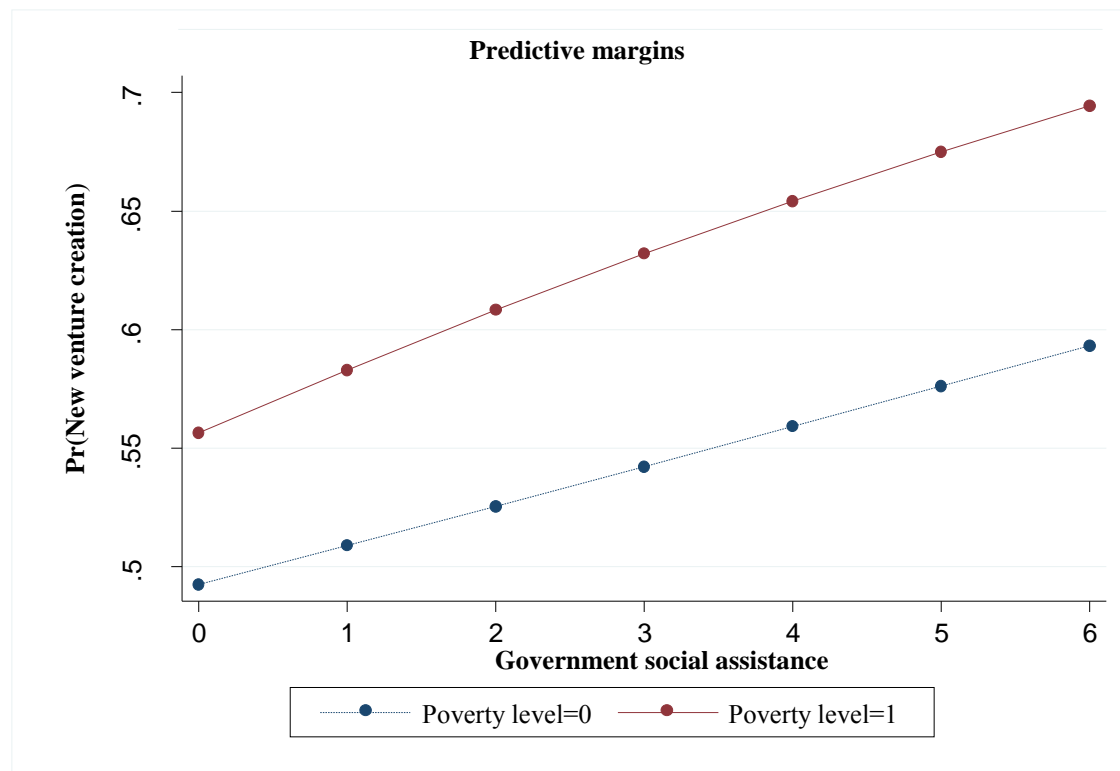


Figure 2.2. Interaction of poverty level with government social assistance and new venture creation

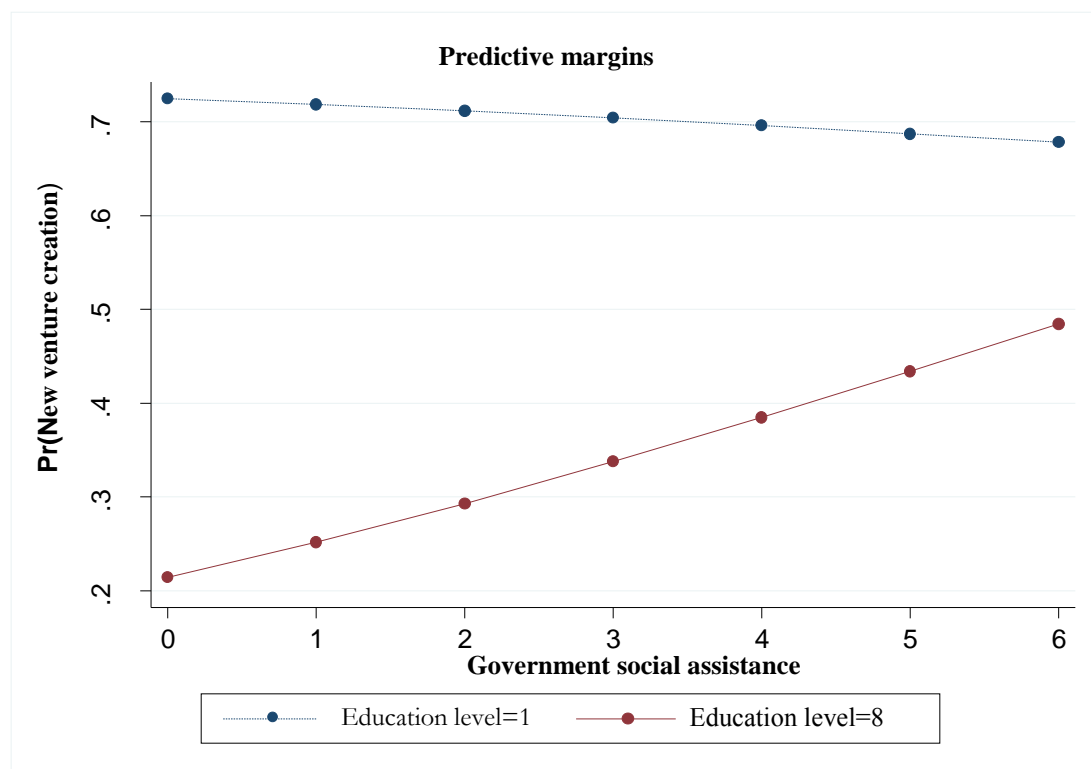


Figure 2.3. Interaction of education level with government social assistance and new venture creation

Finally, hypothesis 4 proposes that poverty level positively moderates the joint effects of education level and government social assistance on new venture creation, so that, at higher levels of poverty, these joint effects will be stronger than at lower levels. We found that the moderating effect of education on the relationship between GSA and NVC is highly conditioned by the extent of resource limitation (see figures 2.4 and 2.5). Figure 2.4 illustrates the effects for extreme poverty. For those individuals living in extreme poverty who do not have any education level, the likelihood to create a new business is increasing when they receive more government social assistance. On the other hand, when individuals have the highest education level, the opposite happens. That is, the likelihood to create a new business decreases when the support from the government is higher. However, among individuals at the highest level of education, GSA has the opposite effect. That is, extremely poor but highly educated individuals who do receive GSA to cover all their basic needs are likelier to create a new business than equally poor and equally educated individuals who don't.

For moderate poverty levels, the effects are illustrated in figure 2.5. We can see that these effects are opposite to those under extreme poverty. For those individuals living in moderate poverty who do not have any education level, the opposite effect happens compare to those ones living in extreme poverty. That is, the likelihood to create a new business decreases when they receive more government social assistance. On the other hand, when individuals have the highest education level, the likelihood to create a new business increases when the support from the government is higher. Thus, hypothesis 4 is supported.

Viewed in conjunction, our results indicate that government social assistance has mixed effects on new venture creation. It can—but does not always—help individuals to create new businesses and give them a chance to get out of poverty in the medium/long term. Degree of

poverty and education levels have important and complex influences on this process, and their apparent influences differ depending on whether we consider them individually or together.

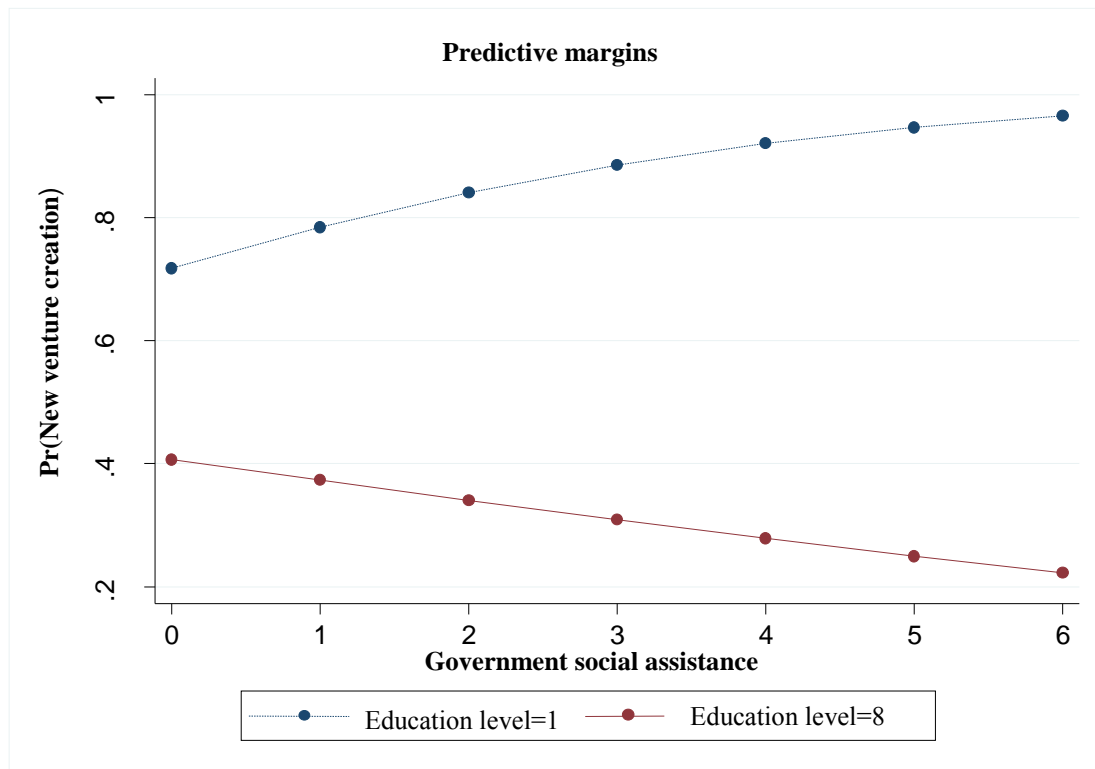


Figure 2.4. Interaction of extreme poverty level in the relationship between education level and government social assistance on new venture creation

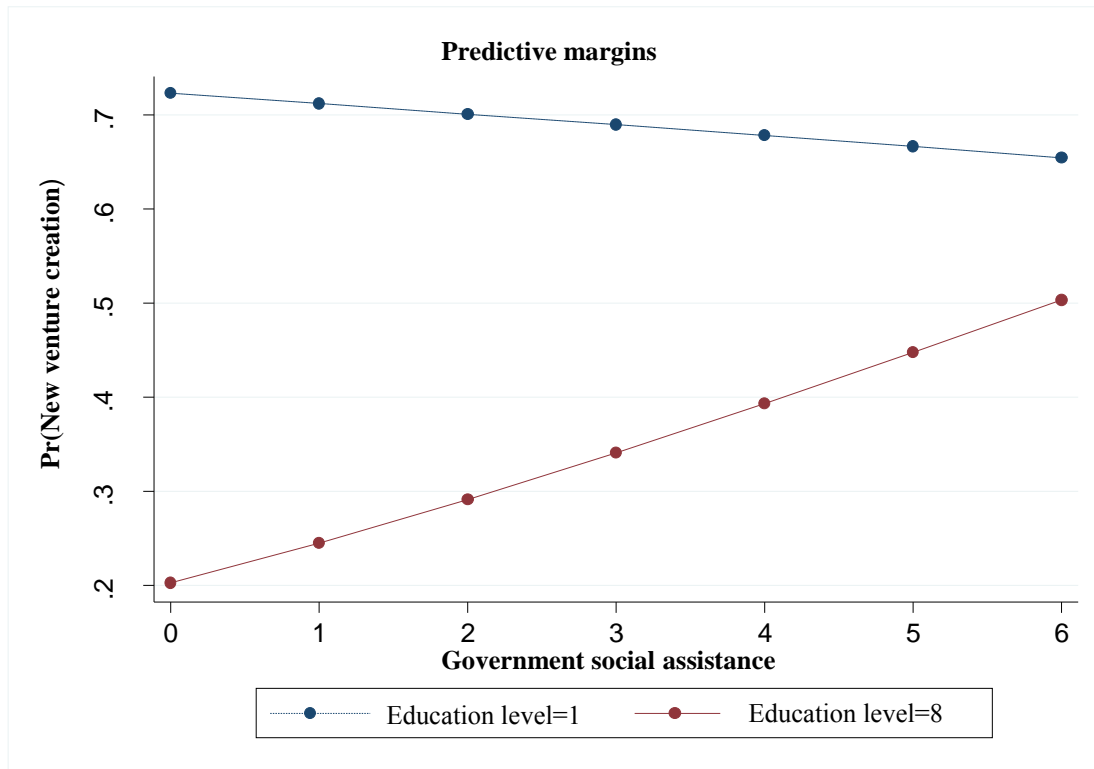


Figure 2.5. Interaction of moderate poverty level in the relationship between education level and government social assistance on new venture creation.

2.5. Discussion

We started the paper by asking if government social assistance helps shape low-income individuals' proclivity toward new venture creation and what role education and poverty play in whether these individuals create new ventures. Drawing on the existing literature concerned with understanding how to help individuals living in poverty to create new business (Bruton, Ketchen and Ireland, 2013; Hall et al., 2012; Khavul, 2010; Prahalad, 2005; Shetty, 2010), we address those questions by analyzing the role of government social assistance on NVC, and how poverty and education levels affected those relationships.

Our results show that education level by itself negatively influenced new venture creation, but it strengthened the relationship between receiving support from the government and creating a new business. Moreover, while we did not find any evidence that individuals

without resources create new businesses when factors such as the support from the government are not considered, we did find that the poverty level strengthened the relationship between receiving GSA and NVC. Finally, when we bring together education, poverty level, and government social assistance, we find a negative and significant effect on new venture creation. This is a puzzling result, given that individually, levels of education and poverty positively moderated the relationship between GSA and NVC. We can only speculate about the reason for this result, but we believe that the driver in this relationship could be the level of education. As the primary social wealth variable affecting the likelihood of employment, it may overshadow the other variables in the context of high poverty. Nevertheless, our results indicate the need for further research on the role of education in NVC in different contexts. The relationship is clearly more complex than it was previously thought to be.

A similar phenomenon occurs when examining the role of level of poverty. While higher levels of poverty relate to NVC, government assistance clearly affects in a positive way that relationship. For those very poor, starting a new venture is a way to access resources for living; however, the presence of government social assistance makes that relationship stronger. We believe again that these are indicators of satisficing behavior and that context plays an important role in those rational, yet not necessarily optimal, choices.

Our results provide evidence of the psychological social and material contextualization of rational satisficing behavior discussed by Burns and Roszkowka (2016). That satisficing behavior is particularly notable in the role of education on new venture creation for these individuals. While higher levels of education should translate into more employability for individuals at the BOP, and a paying job should be safer choice in terms of subsistence, uncertainty about availability of jobs is also present in the equation. Thus in the absence of

government assistance, the negative relation between level of education and NVC makes rational yet satisficing sense. However, in the presence of government assistance, the satisficing characteristics are different. There is now assistance with everyday living so the negative relationship between education and NVC now turns into positive. Evidence, we believe, of satisficing rather than maximizing behavior by these individuals.

We bring together two research fields, rational choice theory and entrepreneurship literature, in a context with very restricted availability of resources. Our research contributes to the rational choice perspective. First, our research advances rational choice theory by providing evidence of its potential, and highlighting its limitations when applied to the base of the pyramid. Our results extend RCT and find evidence of a satisficing rather than maximizing approach of decision making process toward new venture creation at the base of the pyramid, and of the role that limited information and choice play in that behavior. We contend that while the behavior of BOP individuals with respect to new venture creation is rational, it is satisficing rather than maximizing, and that context variables affect the choices so that they will look to satisfy rather than maximize their outcomes. Thus, our findings allow us to extend RCT by arguing that in the context, rational yet satisficing behavior drives the decision making process of those at the BOP and NVC. As an example, our results indicate that the BOP individuals are satisficing rather than maximizing entrepreneurs, so choices should tend toward lifestyle rather than to a growth orientation in new venture creation. We show the theory's potential and limitations in explaining choices by impoverished individuals. Few rational-choice studies address developing countries, and they tend to concentrate on sociological aspects of phenomena. We extend the theory and use it to examine the context of NVC. Second, from the perspective of entrepreneurship, we examine the role that adding resources, in this case, government social assistance, plays on new venture creation choices

by those at the base of the pyramid. We provide evidence of the effects of GSA, and of how, depending on the number of social programs provided, their effect on NVC can be different.

Moreover, whereas this theory has been applied to strategic-decision making of MNCs in developed and developing countries, we show the potential of the theory to explain rational choice at the individual level. We address this to explain that individuals under scarcity show a more satisficing than maximizing behavior when they have to make choices. Finally, our findings contribute to the extension of the empirical foundations of the rational choice theory, because our research provides new confirmation of the model as a powerful theoretical paradigm for understanding the behavior of individuals under impoverished conditions.

2.5.1. Implications

Poverty is as much a social and political issue as it is an economic one (Ansari, Munir and Gregg, 2012). Thus, we cannot ignore its social aspects. This study has important implications for researchers and practitioners including governments interested in combating poverty and fostering entrepreneurship. If, on the one hand, government social assistance programs are crucial to help the poor to move out of poverty, on the other hand, new venture creation offers an important way for the poor to eventually stop being dependent on these programs and instead be self-sufficient, reducing inequalities.

This study shows the important effect of developing social programs targeted to cover basic needs as well as providing an additional incentive through education with those social policies as an effective way to promote entrepreneurship at the BOP. We contend that beyond business assistance, governments have to develop strategies that make sure basic needs are covered to maximize the impact of each kind of program on impoverished people. Thus we follow the path of previous studies that have recognized that social protection has become one

of the three main elements of national and development strategies, together with growth and human development (Barrientos and Hulme, 2008). Our results indicate that an added bonus to covering basic needs is that these programs may foster NVC.

Our poverty and education results are particularly interesting. Higher levels of poverty do result in more NVC, but only when social programs are provided. This is important information, in particular for policymakers interested in improving the lot of the very poor; but it should move us to slow down and try to understand the implications. This result is really puzzling given previous results regarding the relationship between levels of poverty and NVC, and warrants further examination by researchers.

2.5.2. Limitations and future research

Our study analyzes only one point in time, 2010, a restriction imposed by the nature of the data. Estimating models with panel data taking into account more periods of time and changes in policy would allow us to examine to what extent the preferences of individuals are changing according to the availability of resources.

Also, our database is from the Dominican Republic. According to the 2010 Monitoring Report of the United States Millennium Goals, 34% of the population in the Dominican Republic lived in poverty—more than three million people. While there is no obvious reason to believe that impoverished people in other contexts would behave differently with regard to NVC and government assistance, different cultures and different political systems could affect the relationship we analyzed. Future research should provide comparative analysis to assess how social protection affects individuals' attitudes toward new venture creation in different places.

It would also be interesting to look at the impact of other programs, for example employment programs, on new venture creation. If government social assistance came in the form of a jobs program, the rational choice for poor people should be to take a job rather than create a new venture. But suppose that government social assistance were also geared toward new venture creation. Would that change the preferences of those individuals? Would it make them lean toward new venture creation?

Further research should analyze the evolution of group entrepreneurship at the base of the pyramid. How do entrepreneurs who create microbusinesses develop networks with other people living in the same community under the same poverty conditions? Such a study would shed light on how group characteristics can change individual preferences. Finally, future research should analyze individuals' reasons for preferring wage work to entrepreneurial activities when government social assistance is provided. Is this a matter of satisfying immediate needs versus making investments over the medium/long term? Do people fear the risks or the time commitment? Given that microbusinesses created by the poor are typically not innovative, do individuals find the time/benefit tradeoff of NVC unattractive when it competes with fulfilling basic needs? Uncertainty and negative externalities, or the influence of unexpected financial shocks, might be also significant drivers of behavior in this context. Future research might extend our inquiry to address these concerns.

Bibliography

- Alvarez, S.A., and Barney, J.B. (2014). ‘Entrepreneurial opportunities and poverty alleviation’. *Entrepreneurship, Theory and Practice*, **38**, 159–184.
- Amit R., Muller E., and Cockburn I. (1995). ‘Opportunity costs and entrepreneurial activity’. *Journal of Business Venturing*, **10**, 95-106.
- Ansari, S., Munir, K., and Gregg, T. (2012). ‘Impact at the “bottom of the pyramid”: the role of social capital in capability development and community empowerment’. *Journal of Management Studies*, **49**, 813–842.
- Atkinson, A.B. (2000). A European Social Agenda: Poverty Benchmarking and Social Transfers. EUROMOD Working Paper Series, Institute for Social and Economic Research: Essex.
- Autio, E., and Acs, Z.J. (2010). ‘Intellectual property protection and the formation of entrepreneurial growth aspirations’. *Strategic Entrepreneurship Journal*, **4**, 234–251.
- Barrientos, A, and Hulme D. (2016). *Social Protection for the Poor and Poorest: Concepts, Policies and Politics*. Palgrave Macmillan Press: United Kingdom.
- Barrientos, A. (2013). *Social Assistance in Developing Countries*. Cambridge University Press: Cambridge.
- Barrientos, A., and Hulme, D. (2008). ‘Social protection for the poor and poorest developing countries: reflections on a quiet revolution’. *Oxford Development Studies*, **37**, 439–456.

- Bakhtiari, B. (2006). 'Microfinance and poverty reduction: some international evidence'. *Business & Economics Research*, **5**, 65–71.
- Becker, G.S., and Murphy, K. (1988). 'A theory of rational addiction'. *Journal of Political Economy*, **96(4)**, 675-700.
- Besharov, D.J, and Call, D.M. (2009). 'Income transfers alone won't eradicate poverty'. *Policy Studies Journal*, **37**, 599–631.
- Blais, A. (2000). *To Vote or Not to Vote? The Merits and Limits of Rational Choice Theory*. University of Pittsburgh Press: Pittsburgh.
- Bradley, S.W., McMullen, J.S., Artz, K., and Simiyu, E.M. (2012). 'Capital is not enough for innovation'. *Journal of Management Studies*, **49**, 684–717.
- Bruton, G.D., Ketchen, D.J., and Ireland, R.D. (2013). 'Toward a research agenda on the informal economy'. *Academy of Management Perspectives*, **26**, 1–11.
- Burns, T., and Rozskowska, E. (2016). 'Rational choice theory: Toward a psychological, social, and material contextualization of human choice behavior'. *Theoretical Economics Letters*, **6**, 195-207.
- Coleman, J. (1986). *Individual Interests and Collective Action. Selected Essays*. Cambridge University Press: Cambridge.
- Cornish, D.B., and Clarke, R.V. (1987). 'Understanding crime displacement: An application of rational choice theory'. *Criminology*, **25(4)**, 933-948.
- Choo, S., and Wong, M. (2006). 'Entrepreneurial intention: Triggers and barriers to new venture creation in Singapore'. *Singapore Management Review*, **28(2)**, 47-64.

- Elster, J. (1989). *The Cement of Society*. Cambridge University Press: Cambridge.
- De Carolis, D.M., Litzky, B.E., and Eddleston, K.A. (2009). ‘Why networks enhance the progress of new venture creation: The influence of social capital and cognition’. *Entrepreneurship Theory and Practice*, **33**, 527-545.
- De Castro J., Khavul, S., and Bruton, G.D. (2014). ‘Shades of grey: how do informal firms navigate between macro and meso institutional environments?’ *Strategic Entrepreneurship Journal*, **8**, 75–94.
- De Soto, H. (2003). *The Mystery of Capital: Why Capitalism Triumphs in the West and Fails Everywhere Else*. Basic Civitas Books: Jackson.
- Hall, J., Stelvia, M., Sheehan, L., and Silvestre, B. (2012). ‘Entrepreneurship and innovation at the base of the pyramid: a recipe for inclusive growth or social exclusion?’ *Journal of Management Studies*, **49**, 785–712.
- Hess, D.B. (2005). ‘Access to employment for adults in poverty in the Buffalo-Niagara region’. *Urban Studies*, **42(7)**, 1177-1200.
- Hirschman, A.O. (1970). *Exit, Voice, and Loyalty: Responses to Decline in Firms, Organizations, and States*. Harvard University Press: Cambridge.
- Khavul, S. (2010). ‘Microfinance: creating opportunities for the poor?’ *Academy of Management Perspectives*, **24**, 58–72.
- Kintgen, E.R., Kroll, B.M., and Rose, M. (1988). *Perspectives on Literacy*. Southern Illinois University Press: Carbondale.

- Knight, J., Shi, L., and Quheng, D. (2009). 'Education and poverty trap in rural China: setting the trap'. *Oxford Development Studies*, **37**, 311–332.
- Le, A. (2000). 'The determinants of immigrant self-employment in Australia'. *The International Migration Review*, **34(1)**, 183-214.
- Luebker, M. (2014). 'Income inequality, redistribution, and poverty: contrasting rational choice and behavioral perspectives'. *Review of Income and Wealth*, **60**, 133–154.
- Maldonado, J., and González-Vega, C. (2008). 'Impact of microfinance on schooling: evidence from poor rural households in Bolivia'. *World Development*, **36**, 2440–2455.
- McCord, A. (2010). 'The impact of the global financial crisis on social protection in developing countries'. *International Social Security Review*, **63**, 31–45.
- Miskin, V., and Rose, J. (1990). Women entrepreneurs: factors related to success. In N.C. Churchill NC, Bygrave, WD, Hornaday, JA, Muzyka, DF, Vesper KH, Wetzel Jr. WW, (eds). *Frontiers of Entrepreneurship Research*. Babson Park, MA: Babson College 22-38.
- Pearce, J.A., Fritz, D.A, and Davis, P.S. (2009). 'Entrepreneurial orientation and the performance of religious congregations'. *Entrepreneurship Theory and Practice*, **34(1)**, 219-248.
- Peredo, A.M., and Chrisman, J.J. (2006). 'Toward a theory of community-based enterprise'. *Academy of Management Review*, **31(2)**, 309-28.
- Prahalad, C.K. (2010). *The Fortune at the Bottom of the Pyramid: Eradicating Poverty Through Profits*. Wharton School Publishing: Upper Saddle River, New Jersey.

- Prahalad, C.K. (2006). *The Fortune at the Bottom of the Pyramid: Eradicating Poverty through Profits*. Wharton School Publishing: Pennsylvania.
- Rees, H., and Shah, A. (1986). 'An empirical analysis of self-employment in the UK'. *Journal of Applied Econometrics*, **11**, 95–108.
- Reynolds, P.D, Bygrave, W.D, Autio, E., Cox, L.W., and Hay, M. (2002). Global entrepreneurship monitor: 2002 executive report, Ewing Marion Kauffman Foundation.
- Robinson, P.B., and Sexton, E. (1994). 'The effect of education and experience on self-employment opportunities'. *Journal of Business Venturing*, **9**, 141–156.
- Rosa, J.A., and Viswanathan, M. (2007). *Product and Market Development for Subsistence Marketplaces*. Elsevier: Oxford.
- Satz, D., and Ferejohn, J. (1994). 'Rational choice and social theory'. *Journal of Philosophy*, **91**, 71–87.
- Scott, J. (2000). Rational choice theory. In Browing G, Halcli A, Webster F (eds). *Understanding Contemporary Society: Theories of the Present*. New York: Sage, 126-138.
- Seelos, C., and Mair, J. (2007). 'Profitable business models and market creation in the context of deep poverty: A strategic view'. *Academy of management perspectives*, **21(4)**, 49-63.
- Sen, A. (1999). *Development as Freedom*. Knopf: New York.

- Shane, S. (2010). 'Why encouraging more people to become entrepreneurs is bad public policy?' *Small Business Economics*, **33**, 141–149.
- Shetty, S. (2010). 'Microcredit, poverty and empowerment: exploring the connections'. *Perspectives on Global Development and Technology*, **9**, 356–390.
- Stoner, C.R., Hartman, R.I., and Arora, R. (1990). 'Work-home role conflict in female owners of small businesses: An exploratory study'. *Journal of Small Business Management*, **29(1)**, 30-38.
- Tasavori, M., Zaefarian, R., and Ghauri, P.N. (2015). 'The creation view of opportunities at the base of the pyramid'. *Entrepreneurship & Regional Development*, **27(1-2)**, 106-126.
- Viswanathan, M., Echambadi, R., Venugopal, S., and Sridharan, S. (2014). 'Subsistence entrepreneurship, value creation and community exchange systems: a social capital explanation'. *Journal of Macromarketing*, **34**, 213–226.
- Webb, J.W., Bruton, G.D, Tihanyi, L., and Ireland, R.D. (2013). 'Research on entrepreneurship in the informal economy: framing a research agenda'. *Journal of Business Venturing*, **28**, 598–614.
- Weber, O., and Ahmad, A. (2014). 'Empowerment through microfinance: the relation between loan cycle and level of empowerment'. *World Development*, **62**, 75–87.
- World Bank. (2010). *Moving out of Poverty in Northeast Brazil*. IBRD Results.

Xavier-Oliveira, E., Laplume, A.O., and Pathak, S. (2015). ‘What motivates entrepreneurial entry under economic inequality? The role of human and financial capital’. *Human Relations*, **68(7)**, 1183-1207.

Young, L.A. (1997). Phenomenological images of religion and rational choice theory. In Lawrence A. (eds). *Rational choice theory and religion: Summary and assessment*. Routledge: New York.

Capítulo - 3

Equality or Inequality? That's the Question. The Performance Impact of Pay Gaps
in Cooperative Businesses

Capítulo - 3**Equality or Inequality? That's the Question. The Performance Impact of Pay Gaps in Cooperative Businesses**

Abstract:

A key set of strategic decisions in new venture formation process revolves around whether adopting a relatively flat rewards structure with small differences in pay, or a more hierarchical structure with substantial pay gaps between top and bottom-earners. Combining behavioral theories of deprivation and tournament theory, we argue in line with tournament theory that cooperative new ventures may reap performance benefits from pay gaps, but consistent with behavioral theories of deprivation we contend that this positive relationship is moderated by business informality, the business's involvement in social movements and size of the business. Our results indicate support for our hypotheses on the positive effect of pay gaps on business performance, as well as the predicted moderating effects of informality and size. The results provide strong support for the notion that both tournament theory and theories of relative deprivation help explain the relationship between pay gaps and firm performance.

Keywords: cooperative businesses, informality, new ventures, pay gaps, relative deprivation, tournament theory

Capítulo - 3**Equality or Inequality? That's the Question. The Performance Impact of Pay Gaps in Cooperative Businesses**

3.1. Introduction

A key set of strategic decisions for any business is how to establish appropriate and motivational pay levels for members of the business (Wasserman, 2006). Among these decisions is whether the organization should adopt a relatively flat rewards structure wherein there are small differences in pay, or a more hierarchical structure wherein there are substantial pay gaps between top-earners and bottom-earners (Henderson and Fredrickson, 2001). Extant research to date does not provide clear answers as to which pay approach is best and different theoretical perspectives have developed, behavioral theories of deprivation and tournament theory, to justify the two views of how to approach pay. Thus, how pay gaps affect firm performance and the contingencies of this relationship are still an important area of inquiry. In this study brings these contrasting theoretical perspectives more into alignment through identifying salient contingency factors that impact which theoretical perspective is more appropriate in given situations.

Behavioral theories of relative deprivation (Cowherd and Levine, 1992; Martin, 1981) argue that “pay gaps are a critical part of a firm’s social-psychological and sociopolitical context and have a profound effect on whether people selfishly pursue their own interests or cooperatively contribute to broader organizational goals” (Henderson and Fredrickson, 2001: 97). Specifically, from this theoretical perspective small pay gaps foster cooperation in the firm (Lazear, 1989). Thus, the presence of large pay gaps affects perceptions of equality in the organization and the likelihood of cooperative behavior. Under this theory, large pay gaps are detrimental for the organizational performance. In contrast, tournament theory (Lazear and

Rosen, 1981; Rosen, 1986; O'Reilly et al, 1988) argues that pay gaps combat shirking and free riding in organizations (Gibbons and Murphy, 1990) by creating incentives to perform (Becker and Huselid, 1992; Henderson and Frederickson, 2001). Thus, tournament theory argues that organizational performance will benefit from pay gaps (Henderson and Fredrickson, 2001; Eriksson, 1999).

Probing prior evidence regarding pay gaps, we argue that examining the combined effects of both theories helps explain the relationship between pay gaps and organizational performance, and the conditions that moderate that relationship. Thus first we favor the arguments put forward by tournament theory scholars, and contend that organizations can reap the benefits from pay gaps even in those businesses focused on the communities where the principal of equality is an important driver. However, and in line with behavioral theories of relative deprivation and on distributive justice (Forsyth, 2005), we argue that the positive relationship between pay gaps and performance will be moderated by variables that increase the saliency of equality in the organization. For this paper we include 1) whether or not the business is formal (i.e., registered with the government), 2) the extent of business's involvement in social movements and 3) business newness. In all of those three cases, the forces pushing toward equality moderate the relationship between pay gaps and firm performance.

We test our hypotheses in a context which is particularly appropriate to examine the interactions of the theories, that of highly cooperative organizational forms; namely community based enterprises (CBE's). Peredo and Chrisman (2006) define community based enterprises as *"a community acting corporately as both entrepreneur and enterprise in pursuit of the common good"* (p.310). Community based enterprise occurs around the world and is an increasingly impactful, globally dispersed initiative in which organizations are founded on the principles of

cooperation, participation, and reciprocity in order to better the lives of the organizational members and surrounding communities. Such firms are ideal for our research as they pursue profit they also argue that they bring a focus on members that is typically only implied for many private firms; this focus on the wellbeing of members, therefore, making explicit that others only imply.

Prior research has indicated that context matters with respect to pay gaps. Ensley et al. (2007) discuss the negative effects of pay gaps on firm growth, and argue that “*Especially in family teams, where the group dynamics are more multiplex, pay dispersion produces very strong negative behavioral dynamics*”(p.1040). Pfeiffer and Langdon (1993) also found negative effects of pay gaps on satisfaction, productivity and collaboration in university faculties. Wang, Zhao and Thornhill (2015) focused on the how firm’s pay dispersion affects its innovation through employee participation and voluntary turnover. They found that there is a U-shaped effect of pay dispersion through employee participation and that the voluntary employee turnover negatively affect the influence of pay dispersion on organizational innovation. Papers advocating pay gaps from the tournament theory perspective, have examined them in the context of highly competitive environments (auto racing (Becker and Huselid, 1992,) or Fortune 500 firms (Henderson and Frederickson, 2001) where you would expect that the competitive aspects of tournament theory to be more salient and would be harder to examine the moderating effects of forces pushing toward equality. The context of CBE’s allows us to fully examine how forces toward equality could ameliorate the pay-gaps performance relationship.

The context of community based enterprises should provide a strong test for the theories. In community based enterprises all members are “owners”. All members have a vote and they participate in decision making. Peredo and Chrisman (2006) state that “*CEB is a process that*

carries with it significant tension and challenges in terms of maintaining a balance between individual and collectives needs” (p.311). Due to their orientation toward the community, the ethos and emphasis in this organizations should run counter to the inequality provided by pay gaps. Therefore, this environment should provide a particularly robust test of the possible support of tournament theory. In particular, should the arguments advanced by tournament theory prevail in this environment, and pay gaps are positively related to firm performance, we would expect the same to hold in more competitive environments, where a push towards equality would not be an important concern. Yet at the same time, this context is particularly suited to examine how forces pushing toward equality affect the pay-gaps performance relationship, and how those forces moderate the effects of pay gaps on performance.

For this study, we examine nearly 6,000 community based businesses. Overall, the results support the positive relationship between pay gaps and performance as well as the dampening effects of informality and newness. In both informal and new firms, equality is paramount and affects the pay-gap performance relationship. However, and contrary to our expectations, we found that the impact of high involvement in social movements strengthens the influence of pay gaps on the organizational performance

Our study has implications for both theory and practice. Extant behavioral theory regarding relative deprivation suggest that pay gaps are detrimental for team and firm performance (Cowherd and Levine, 1992; Martin, 1981). We demonstrate that this prediction does not hold for businesses, even for those ones focused on communities such as CBE's which should be more oriented toward equality. Specifically, we provide evidence for a positive effect of large pay gaps on the organizational performance even for those highly cooperative businesses

that keep far from the traditional competitive environments. We find evidence of a substitution-effect whereby teams may retain cohesion and functionality in the face of pay gaps.

Moreover, this study provides evidence of the relationship between pay gaps and performance in entrepreneurial firms, and advances our understanding of those salient contingencies that affects this relationship, including the formality of the firm, the extent of business's involvement in social movements and the firm's age. In this way, we extend previous entrepreneurship literature on pay gaps that has concentrated mostly on examining pay gaps for women in new ventures (Greene et al, 2001; Francine and Lawrence, 2007; Morley, 1978; Pucheta-Martínez and Bel-Oms, 2015; Wayne, Hussey and Jetter, 2011). We explore factors not yet addressed by the entrepreneurship literature such as the role of pay gaps in community based enterprises, the role of formality, the involvement in social movements and the role of firm age in the pay-gaps performance relationship.

Finally, against our underlying premises, our results indicate that being involved in social movements does not link to be more oriented toward equality. Indeed, involvement in social movements strengthens the positive influence of pay gaps on organizational performance. Regarding practice, we provide guidance to managers on structuring their reward systems to maximize performance, and conditions under which these reward systems are applicable. Furthermore, we set the stage for a wealth of potential future research on the antecedents of performance.

3.2. Theory and hypotheses

3.2.1. Pay gaps and performance

As noted two theories— relative deprivation and tournament theory - are at odds regarding both predictions and findings on the impact of pay gaps. Relative deprivation research is built on the premise that when people have numerous opportunities to make reward comparisons, as is the case in contemporary organizations, they will compare their rewards to those of individuals of higher rank (Cowherd and Levine, 1992; Dornstein, 1988). Deprivation occurs when these comparisons are made and individuals determine that they receive less than they deserve, which is stronger in cases of large pay gaps (Henderson and Frederickson, 2001; Martin, 1981; 1982). In turn, feelings of deprivation may increase organizational behaviors like absenteeism, strikes, and sabotage (Crosby, 1984; Lazear, 1989; Martin, 1981; 1982), and decrease organizational cohesiveness, product quality, and performance (Cowherd and Levine, 1992; Henderson and Frederickson, 2001; Staw, 1984). Therefore, relative deprivation views a negative relationship between pay gaps and organizational performance.

Tournament theory, proposed by Lazear and Rosen (1981), offers a competing perspective on pay gaps within businesses. Tournament theory asserts that businesses base compensation on organizational rank and that doing so serves as an incentive system that encourages effective competition among employees. Employees in turn will expend greater effort to achieve promotion and higher pay. The larger the pay gap, the more effort will be provided by employees and the better the organizational performance (Lin, Yeh, and Shih, 2013).

Beyond the motivation for higher pay, prior tournament theory work has argued that pay gaps may help improve conditions of shirking, free-riding, and costly supervision (Becker and Huselid,

1992; Gibbons and Murphy, 1990; Henderson and Frederickson, 2001). The outcome of tournaments, therefore, argues that pay gaps can enhance firm performance (Eriksson, 1999; Henderson and Frederickson, 2001; Lee, Lev, and Yeo, 2008)

Therefore, the two theories offer differing perspective with relative deprivation work arguing pay gaps are detrimental to organizational performance, while tournament theory argues that pay gaps are beneficial for organizational performance. Empirical results on the subject have not provided clear understanding which theoretical view is correct. Studies in a plethora of industries and countries find a range of results with some finding a positive relationship between pay gaps and performance (e.g., Becker and Huselid, 1992; Ehrenberg and Bognanno, 1990; Main, O'Reilly III and Wade, 1993), while others find no significant relationship (e.g., Sadler, 2001), and yet others find a detrimental effect on performance (e.g., Wade, O'Reilly, and Pollock, 2006). Other studies from different perspectives such as the social comparison have focused on the effects of pay gaps in the organizational innovation through employee's behavior (Wang et al., 2015)

At the end the theories differ as to what would be the main drivers of behavior regarding pay gaps toward organizational performance. Would equality be the key driver, as argued by relative deprivation, or would it be relating pay to actual performance as proposed by tournament theory? Community enterprises combine the entrepreneurial aspect of new ventures with a community component. We contend that in that environment, the entrepreneurial driver toward higher performance should trump the community aspect, and we expect that pay gaps should be related to financial performance. We argue that in new venture organizational forms which inherently engender cooperation, the entrepreneurial needs will dominate and the organizations

may reap the benefits of pay gaps toward organizational performance without compromising cohesion and functionality in new ventures. Stated formally:

Hypothesis 1: Pay gaps are positively related to financial performance.

We expect a holistic and rather stable positive effect of pay gaps on financial performance, yet it is likely that the strength of the relationship is contingent upon various organizational factors. In making this argument, we draw on relative deprivation (Henderson and Frederickson, 2001; Martin, 1981; 1982) and on a literature that is heavily related to tournament theory (Cowherd and Levine, 1992) – distributive justice theory. As stated earlier, relative deprivation theory argues that individuals will compare their salaries with those of higher ups and in the case of high pay gaps, when they get less than they deserve they will engage in behaviors that negatively affect firm performance. So in the presence of large pay gaps, relative deprivation theory argues that firm performance will be negatively affected. While relative deprivation helps explain why the phenomena occurs, distributive justice theory tells us about how the process occurs.

Distributive justice, simply put, is the fairness of organizational outcome distributions (Gilland, 1993). Evaluations of unfair distributions produce negative emotions which motivate individuals to change their behavior which, in turn, negatively effects the functioning of organizations and the personal satisfaction of the individuals they employ (Adams, 1965). Both theories contend that pay gaps will have a negative effect on organizational performance.

The predominance of early work on distributive justice focused on the notion that members of an organization compare the ratio of their inputs and outcomes to that of other members (Adams 1963; 1965; Greenberg and Colquitt, 2013). That is, members perceive fair

outcomes to be based on contributions; e.g., if I work longer or produce more than other members, I should get paid more than them. Subsequent research on the topic, however, went beyond this equity-based evaluation of fairness to identify two further common evaluations by organizational members (Deutsch, 1975; Leventhal, 1980): equality-based, in which members believe equal distributions or rewards and resources is fair, and need-based, in which members believe that it is fair to distribute rewards and resources to those with the greatest needs. Moreover, this research has identified conditions under which each type of fairness will be judged. For instance Deutsch, (1975) proposed that “*in cooperative relations in which economic productivity is a primary goal, equity rather than equality will be the dominant principle of distributive justice*” (p. 143), and “*in cooperative relations in which fostering of personal development and personal welfare is the primary goal, need will be the dominant principle of distributive justice*” (p. 143).

We extend this individuals’ based line of inquiry focused on how organizational performance is affected by pay gaps. Namely, we argue that whether or not the organization is informal, is involved in social movements, and is a new venture will moderate the positive relationship between pay gaps and performance. Our arguments are based on the distributive justice literature premises that individuals will vary in what they believe is fair, that these beliefs are shaped by the nature of the organization, and that violating fairness expectation will negatively impact performance (Greenberg and Colquitt, 2013), and on relative deprivation arguments that pay gaps affect cooperative behavior and ultimately firm performance (Cowherd and Levine, 1992). The emphasis on equality should be higher the least the organization is structured in terms of a productive organization with performance concerns. That should be the case the newer and the least formal the organization is. Moreover, it is expected that those

businesses with high involvement in social movements will be more oriented toward equality. We expect that newness, informality and high involvement in social movements to moderate the relationship between pay gaps and firm performance. The research model is included in figure 2.1

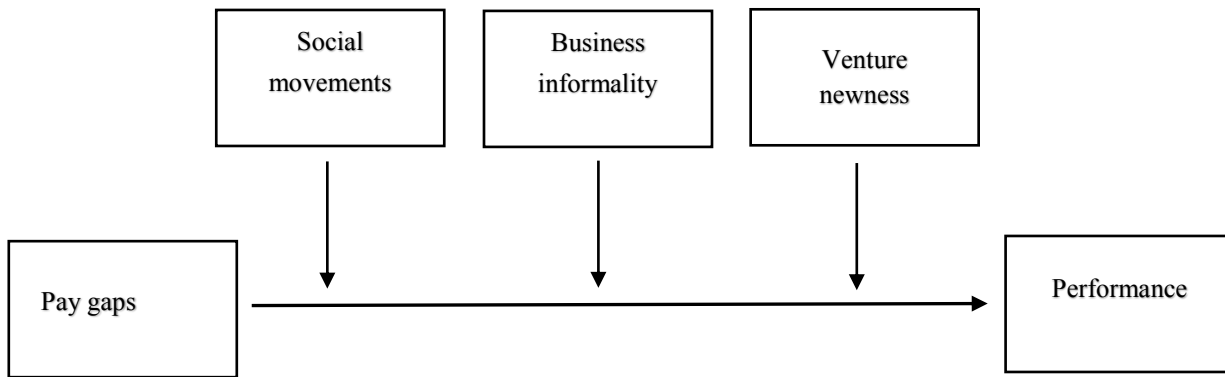


Figure 3.1. Research model

3.2.2. Business Informality

Informal businesses are those that are not legally registered and are largely unregulated (Nyström, 2008; Webb et al., 2009). Businesses in the informal economy fall within informal institutional boundaries (i.e. norms, values, and beliefs in societies), and outside formal institutional boundaries (i.e. laws and regulations) (Webb et al., 2013). Thus, while they operate illegally, informal businesses are often seen as legitimate by substantial groups in many societies. According to Schneider (2002), informal businesses are estimated to account for approximately 10-20% of GDP in developed economies, and up to 60% in emerging economies (with Brazil, the context of the present study, estimated at near 40%).

Extant research has identified two common characteristics of informal businesses which may influence the strength of the pay gaps-performance relationship. First, informal businesses

tend to be smaller and have lower levels of productivity than their formal counterparts (Webb et al., 2013; De Castro, Khavul and Bruton 2014). The larger the business grows, the more visible it become, and the more difficult it is to hide from authorities. We propose that large pay gaps between the highest and lowest paid members of an organization are seen as fairer in larger organizations, as the leaders must exert more effort in larger organizations. Conversely, within smaller organizations there is less distance between the top and bottom employees and perhaps less of a distinction between the roles of those at the top and bottom. As such, employees will perceive larger pay gaps in smaller informal organizations as less fair as a very high level of pay gaps suggests marked differentiation among employee's pay (Wang et al., 2015)

Second, informal organizations are characterized by substantial resource constraints, and less organized organizational structures, due to their lack of support from formal institutions and to their nature (Webb et al., 2013). As examples, informal businesses are generally restricted from obtaining formal financing and accessing broad markets (Web et al., 2009), and have problems with hiring, over relying on family groups for their employees (De Castro, Khavul and Bruton 2014). Given the internal unstructured, and resource-scarce environment in informal businesses, organizational members will view high wages for those at the top as extravagant and unfair.

Taken together, we argue that the informality of the business will decrease the positive effect of pay gaps on organizational performance. Stated formally:

Hypothesis 2: Organizational informality moderates the relationship between pay gaps and financial performance such that the relationship is less positive in informal organizations.

3.2.3. Social Movements

Social movements within our context are large-scale group efforts to change or better political or social conditions (Tarrow and Tollefson, 1994). Examples of popular and contemporary social movements include the LGBT, the Arab Spring, the Environmental Sustainability, and the Fair Trade movements. While frequently thought of as comprised of masses of individuals, businesses are often involved in social movements. As an example, coffee shops may commit to serving 100% Fair Trade coffee.

Businesses involved in social movements have essentially committed to care about more than the “bottom-line” – they are committing to bettering their communities and beyond. This commitment is a signal to stakeholders, including the organization’s members, that the pursuit of monetary rewards is not the sole, or often even the primary, focus of the business. As such, maximizing the pay of the organization’s upper echelons would run contrary to this signal and may be seen as unfair by organizational members. Previous research has associated the involvement in social movements to equality values (Bebbington, et al., 2010; Goldin, 2006; Deere, 2003) so that it is expected that the extent of involvement in social movements is going to ameliorate the relationship between pay gaps and organizational performance. Thus, the involvement in social movements is going to favor situations that push toward equality which shows the effect of relative deprivation against the tournament theory.

Nonprofit organizations serve as an extreme example of a type of organization devoted to social betterment and not profitability. Within nonprofits, high pay for the top earners is frowned upon, and often attracts negative media attention or backlash from other stakeholders (Balsam and Harris, 2013). While high pay for executives of for-profit organizations is sometimes met

with backlash as well, the issue is magnified when the organizations are devoted to social missions. Taken together, we hypothesize that high involvement in social movements negatively moderates the relationship between pay gaps and performance. Stated formally:

Hypothesis 3: High involvement in social movements moderates the relationship between pay gaps and performance in cooperative organizations such that the relationship is less positive the greater the involvement.

3.2.4. Venture Newness

The liability of newness literature offers a rich and well-established framework for distinguishing between the conditions of new and established ventures (Stinchcombe, 1965). In his seminal work on the liabilities of newness, Stinchcombe (1965) identified several new venture characteristics, which are holistically detrimental to their performance. These characteristics include that new ventures: rely on social interactions among relative strangers, must create and learn new roles, and lack established routines among members – each of which, we argue, may negatively impact the relationship between pay gaps and performance.

First, as new venture members are relative strangers, trust is in short supply (Stinchcombe, 1965). Over time, established venture members may come to know and trust each other to foster the cooperation necessary to dampen the negative effects of pay gaps. New ventures, on the other hand, lack this luxury. Second, as roles are not yet created, or are in the process of being learned, it will be unclear to individuals why some members are getting paid more than others, and more likely to be deemed unfair. Third, a lack of routines within a new venture may facilitate behaviors like rule-breaking, defiance, and sabotage (Nelson and Winter, 1982) each of which may undermine the cooperative spirit in organizations and give way to the

harmony-breaking outcomes of pay gaps. In addition, in newer organizations the effects of relative deprivation should be stronger, organizational members would expect smaller pay gaps and affect the relationship between pay gaps and organizational performance should be reduced.

Lastly, as is the case with informal ventures, new ventures are generally resource constrained (Jarillo, 1989; Stinchcombe, 1965; Vesper, 1990). Thus, as with informal ventures, high pay for those at the top of the organization may be seen as unfair, given the scarcity of resources to distribute. Thus, the newness of the business will decrease the positive effect of pay gaps on organizational performance. Taken together, we hypothesize that the positive relationship between pay gaps and performance will be weaker in new ventures as compared to their established counterparts. Stated formally:

Hypothesis 4: Newness moderates the relationship between pay gaps and performance in cooperative organizations such that the relationship is less positive in new ventures

3.3. Methods

3.3.1. Sample and measures

As we have stated earlier, community enterprises provide a useful context to study the relationship between pay gaps and organizational performance. Those environments provide a context where forces toward equality are tested against forces geared toward performance results. Moreover, scholars in political economy have argued that that worker co-operatives will have to adopt the same organizational forms and priorities as capitalist business in order to survive (Cornforth, 1995). Thus, we contend that the interplay of performance and equality concerns will

affect the relationship between pay gaps and firm performance and that both tournament and relative deprivation theories help explain the effect of pay gaps on firm performance. To study these businesses, we chose to focus on community based enterprises.” Peredo and Chrisman (2006) describe community based enterprises as *“the result of a process in which the community acts entrepreneurially to create and operate a new enterprise embedded in its existing social structure. Furthermore, CBEs are managed and governed to pursue the economic and social goals of a community in a manner that is meant to yield sustainable individual and group benefits over the short and long term”*(p. 310). Brazil represents an appropriate context to analyze this kind of alternative economy for two primary reasons. First, cooperative organizations have been a central and enduring facet of the overall Brazilian economy for years. To wit, this economic model helped to decrease poverty rate by as much as 57% between 2001 and 2011 according to the Brazilian Institute of Applied Economy Research. Second, given its prevalence and impact in Brazil, the study and support of community based enterprises has been incorporated into governmental policy with the establishment in Brazil of the National Secretariat of Solidarity Economy in 2003. This level of government involvement has produced arguably unparalleled data for the study of cooperative organizations.

In 2009 and 2010, the Brazilian government conducted a large-scale data collection project to learn about the current status of cooperative organizations focused on community in their country. Representatives of the government identified and surveyed roughly 20,000 business focused on community through this process, covering all Brazilian states, and gathering data on a variety of topics including financial performance, income distribution practices, organizational form, and more. The result of this effort was the creation of the Empreendimento Econômico Solidário (Solidary Economic Enterprise) database.

From this population, we focused our sample to businesses whose “main economic activity” is production and commercialization. Alternatives to this economic activity generally either focus on providing benefits to other businesses (e.g. products or services exchanging; commercialization; group savings) or consumption by members. The final sample of businesses that provided answers to our questions of interest includes 5,945 organizations.

Dependent Variable. Our dependent variable is organizational *performance* as reflected by profits. Organizations reported average monthly profits Brazilian Reals. At the time of this writing, 1 US Dollar equals 3.77 Reals. The dependent variable is profits in thousands of Reals.

Independent Variable. Our independent variable is organizational *pay gap*. Each organization in our sample reported both the highest wage earned by a member of the organization and the lowest, in Reals. The pay gap is the former minus the latter. Values were log transformed given their resulting distribution.

Moderators

Our study includes three moderators. The first is organizational *informality*, which indicates whether or not an organization is registered with the government. All solidarity business in our sample fit into one of four organizational forms: 1) Informal Group, 2) Association, 3) Cooperative, and 4) Trade Business. Informal groups refer to those businesses not legally registered. Associative, cooperatives and trade companies are businesses registered.

Associations are defined as nonprofit groups whose members have equal rights and make decisions in assembly. Cooperatives are societies of people that, through contracts, must contribute either with goods or services to develop an economic activity with a common benefit.

This economic activity may be related to services, operations, or any other specific firm activity. Finally, trade companies refer to all the other formalized organizations with economic purpose. Informality is a dummy variable coded ‘1’ for informal groups, and ‘0’ for others (as explained in the next section, we control for the other forms in our models).

The second moderator is the extent of involvement in *social movements*. Social movements within our context are large-scale group efforts to change or better political or social conditions (Tarrow and Tollefson, 1994). Within the survey, the Brazilian government asked which social movements, if any, is the businesses a part of, with 17 listed social movement options, and the opportunity to write in others. These social movements include “Ethnic/racial movement”, “Environment movement”, “Females/gender movement”, “Religious movement”, and “GLBT movement.” The social movements’ variable is operationalized as a count variable of the number of movements to which the firm claims to belong.

The third moderator is whether or not the business is a *new venture*. Both the year the firm was founded and the year of the interview were documented by the Brazilian government. We follow extant operationalizations by classifying new ventures as those less than 7 years old (Boeker and Karichalil, 2002; Lumpkin and Dess, 2001). The new venture variable is coded ‘1’ if the business is new, and ‘0’ if the business is established (7 years and above).

Control Variables

We include a number of control variables to account for alternate explanations of variance in the dependent variable. First, as meaningful variance in age remains in both the new and established ventures, we control for the *age of the business* in years. Second, prior work has shown significant performance differences between rural and urban businesses in developing

contexts, due to factors such as ease of access to markets and suppliers (Westhead and Wright, 1998). We control for the area in which the business is located, with three options – rural, urban, or both (businesses that span both types of areas; e.g. an agriculture business with both a rural farm and urban storefront). Each is assigned a dummy variable, with rural as the omitted category. Third, we attempt to control for some degree of technological advancement of the business through whether or not the business has a computer. This *technology* proxy variable is dichotomous and coded ‘1’ if the business has a computer, and ‘0’ otherwise. Fourth, we control for the *size* of the business through a count variable of the number of members. Fifth, prior research has demonstrated that female-lead businesses often perform differently as compared to their male-lead counterparts (Brush, 1992; Rosa, Carter and Hamilton, 1996). The businesses in our sample report both the number of females and male members. *Percent female* is calculated as the former divided by the latter. Sixth, extant research has provided evidence that race of organizational members may be related to organizational performance. Businesses in our sample were asked which, if any, is the predominant race represented in the organization. The seven options provided were: “white”, “black”, “yellow”, “Mestizo”, and “Indian”, along with options for unknown or there is no predominant race. Dummy variables were assigned to each option, with white as the omitted category. Seventh, we include a proxy for the complexity of the organization by including a count of the *number of products* offered by the business. The number of products offered may positively impact profitability if resources can be shared across the product lines, or it may be detrimental if it spreads organizational resources among unrelated products (Chatterjee and Wernerfelt, 1991; Nayyara, 1993). Eighth, we control for the aforementioned organizational forms (e.g. Associations, Cooperatives) as the structures, processes, and regulations of differing organizational forms may impact profitability. Ninth, we control for whether or not the organizations identify themselves as part of a social movement, as

this may indicate whether the organization is more willing to forego financial performance for social performance. Social movements within our context are large-scale group efforts to change or better political or social conditions (Tarrow and Tollefson, 1994). Within the survey, the Brazilian government asked which social movements, if any, is the businesses a part of, with 17 listed social movement options, and the opportunity to write in others. These social movements include “Ethnic/racial movement”, “Environment movement”, “Females/gender movement”, “Religious movement”, and “GLBT movement.” The social movements’ variable is operationalized as a count variable of the number of movements to which the firm claims to belong.

3.3.2. Method of Analysis

Through preliminary inspection of the data, we found that the profit variable contains several substantial outliers. As ordinary least squares (OLS) regression is highly sensitive to outliers, which may bias the results (Chatterjee and Hadi, 1986), we elected to run robust regression models. Robust regression is a compromise between OLS which counts all data points equally and excluding outliers from the analysis. The analysis, weights data points using Huber and biweighting techniques (Rocke, 1983), dampening, yet still employing the effects of influential observations.

Perhaps the primary concern in our models is the possibility of reverse-causality. That is, it is possible that profitability is what drives pay differentials in firms, likely such that the higher performing firms pay their upper echelons more, creating a large pay differential. As our data is cross-sectional, we are unable to lag predictors or observe changes which would allow us to partially mitigate the potential reverse-causality issue. However we are able to follow precedence

by running a two-stage instrumental variable equation and analyzing the presence of endogeneity (of which reverse-causality is a leading cause) using the Durbin-Wu-Hausman test (Davidson and MacKinnon, 1989). To do so, we need to identify an instrument, or a variable that is significantly related to the suspected endogenous variable, but weakly related to the dependent variable (Murray, 2006). This is particularly difficult within our models given that both profit and pay gaps are financial variables, and factors that are tied to one are often tied to the other. However, we believe that one specific variable should theoretically be linked to the IV, and not the DV; namely, the number of times that there is a general meeting of all of the members of the business each year. Our argument is that the more often there is a general meeting of members, the more members may advocate for self-serving interests like raising the minimum wages and the more members may monitor and control the wages of the highest earners. Thus, we run the Durbin-Wu-Hausman test following the instrumental variable model to determine the presence of endogeneity. The results ($F = 1.80$; $p > 0.10$) indicate that endogeneity is not a problem in our models.

3.3.3. Results

Table 3.1 presents the descriptive statistics and correlations among our variables. Table 3.2 presents the results of our analyses. Model 1 is our baseline model, including only control variables as predictors. Model 2 tests the main effect prediction of pay gaps on performance, and includes control variables and the independent variable. Models 3 and 4 test our moderation hypotheses and include those variables in the previous model, as well as the variables informal, social movements, and new ventures, tested individually. Model 5 is the full model with all controls, the IV, and all moderators tested together.

Hypothesis 1 predicts that pay gaps are positively related to financial performance in cooperative organizations. As shown in Model 2, the coefficient for pay disparity is positive and significant ($\beta = 1.11$; $p < 0.01$). Thus, we find support for Hypothesis 1, lending credence to the substitution effect whereby organizations may maintain functionality and cohesion in the face of pay disparity if they are inherently cooperative. As an alternative perspective, the results support the notion that pay disparity does not degrade the cohesion on cooperative organizations.

Hypothesis 2 predicts that organizational informality moderates the relationship between pay gaps and financial performance in cooperative organizations such that the relationship is less positive in informal organizations. As shown in Model 3, the coefficient for the interaction term between pay disparity and informality is negative and significant ($\beta = -1.03$; $p < 0.01$). Thus we find support for Hypothesis 2. To aid interpretation, we plot the interaction effect in Figure 3.2 at one standard deviation (SD) above and below the pay gap mean. As may be seen in the figure, pay gaps are beneficial for both formal and informal firms. However the positive relationship between pay gaps and performance is stronger in formal firms.

Hypothesis 3 predicts that involvement in social movements moderates the relationship between pay gaps and performance in cooperative organizations such that the relationship is less positive the greater the involvement. As presented in Model 4, the coefficient for the interaction term between pay disparity and social movements is positive and significant ($\beta = 0.09$; $p < 0.01$), providing evidence for the opposite of the predicted relationship. To aid interpretation of the relationship, we plotted the interaction effect in Figure 3.3. We plotted the high and low levels of pay gap at one SD above and below the mean however, as one SD below the mean was not possible for the social movements variable (it would result in a value below zero), we plot the low value for social movements as zero and high as one SD above. As may be seen in the figure,

Table 3.1. Descriptive statistics and correlations among variables

	Mean	S.D.	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19
1) Profit (thou)	35.51	485.87	1.00																		
2) Pay Disp (ln)	5.63	1.28	0.06	1.00																	
3) Age of Bus.	11.66	7.38	0.02	0.07	1.00																
4) Area - Rural	0.5	0.5	-0.01	0.10	0.14	1.00															
5) Urban	0.39	0.49	-0.01	-0.16	-0.13	-0.80	1.00														
6) Rural & Urban	0.11	0.32	0.03	0.09	-0.02	-0.35	-0.29	1.00													
7) Technology	0.51	0.5	0.02	0.08	-0.05	-0.33	0.25	0.15	1.00												
8) Size	56.02	269.42	0.07	0.06	0.17	0.03	-0.08	0.07	0.06	1.00											
9) Perc. Female	0.58	0.31	-0.08	-0.30	-0.19	-0.41	0.44	-0.03	0.12	-0.07	1.00										
10) Age - Youths	0.04	0.2	-0.01	-0.05	-0.04	-0.02	0.03	0.00	0.06	0.01	0.00	1.00									
11) Age - Adults	0.89	0.31	0.01	0.08	-0.01	0.05	-0.05	-0.01	-0.03	-0.04	-0.04	-0.59	1.00								
12) Age - Elderly	0.03	0.18	-0.01	-0.05	0.05	-0.05	0.05	0.00	-0.02	-0.02	0.06	-0.04	-0.53	1.00							
13) Age - No Pred.	0.03	0.18	0.00	-0.02	0.01	-0.01	0.00	0.02	0.01	0.08	0.02	-0.04	-0.54	-0.03	1.00						
14) # of Prods (ln)	1.57	1.04	-0.02	-0.03	-0.02	-0.28	0.23	0.08	0.21	0.00	0.28	0.00	-0.01	0.00	0.01	1.00					
15) Informal Bus.	0.38	0.49	-0.05	-0.22	-0.25	-0.36	0.38	-0.01	0.08	-0.12	0.39	0.04	-0.03	0.04	-0.03	0.15	1.00				
16) Association	0.53	0.5	-0.01	0.14	0.23	0.39	-0.39	-0.01	-0.17	0.06	-0.33	-0.03	0.02	-0.01	0.01	-0.16	-0.84	1.00			
17) Cooperative	0.08	0.27	0.11	0.14	0.02	-0.07	0.04	0.04	0.15	0.09	-0.09	-0.02	0.02	-0.04	0.02	0.01	-0.23	-0.31	1.00		
18) Trade Company	0.01	0.08	0.00	0.02	0.02	0.00	0.00	0.00	0.05	0.03	0.01	0.00	-0.02	-0.02	0.04	0.01	-0.07	-0.09	-0.02	1.00	
19) New Venture	0.39	0.49	-0.01	-0.07	-0.64	-0.18	0.15	0.05	0.09	-0.06	0.19	0.05	-0.01	-0.03	-0.01	0.03	0.27	-0.26	0.00	0.01	1.00
20) Social Movements	1.67	2.47	0.01	0.04	-0.01	-0.07	-0.08	0.23	0.18	0.09	0.00	0.03	-0.04	-0.01	0.05	0.19	-0.06	0.05	0.02	-0.02	0.06

Correlations with absolute values above .03 are significant at the .05 level
Race predominance dummy variables omitted from table for space reasons

Table 3.2. Coefficients and standard errors of models predicting performance

	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
	β (SE)	β (SE)	β (SE)	β (SE)	β (SE)	β (SE)
Age of Business	0.01 (0.01)	0.01 (0.01)	0.01 (0.01)	0.01 (0.01)	0.01 (0.01)	0.01 (0.01)
Area – Urban	-1.70** (0.17)	-1.68** (0.17)	-1.59** (0.16)	-1.65** (0.16)	-1.65** (0.16)	-1.56** (0.16)
Area – Rural and Urban	0.03 (0.23)	-0.20 (0.22)	-0.11 (0.21)	-0.32 (0.22)	-0.14 (0.22)	-0.19 (0.21)
Technology	0.53** (0.15)	0.33* (0.14)	0.34* (0.14)	0.32* (0.14)	0.32* (0.14)	0.33* (0.13)
Size	-0.00 (0.00)	-0.00 (0.00)	-0.00 (0.00)	-0.00 (0.00)	-0.00 (0.00)	-0.00 (0.00)
Percent Female	-4.33** (0.25)	-3.28** (0.24)	-3.22** (0.24)	-3.27** (0.24)	-3.27** (0.24)	-3.22** (0.24)
Age – Adults	1.52** (0.34)	1.12** (0.32)	1.10** (0.31)	1.06** (0.32)	1.16** (0.32)	1.08** (0.31)
Age – Elderly	0.21 (0.49)	0.09 (0.46)	0.08 (0.45)	0.06 (0.46)	0.12 (0.46)	0.07 (0.45)
Age – no predominance	0.77 (0.49)	0.60 (0.47)	0.61 (0.45)	0.60 (0.46)	0.64 (0.46)	0.63 (0.45)
Race of Members	Incl.	Incl.	Incl.	Incl.	Incl.	Incl.
Number of Products (ln)	0.50** (0.07)	0.39** (0.07)	0.40** (0.06)	0.39** (0.07)	0.40** (0.07)	0.39** (0.06)
Association	2.25** (0.16)	1.96*** (0.16)	-3.56** (0.57)	1.98** (0.16)	1.94** (0.16)	-3.08** (0.60)
Cooperative	3.68** (0.27)	3.22** (0.26)	-2.45** (0.62)	3.18** (0.26)	3.20** (0.26)	-1.99** (0.65)
Trading Company	1.95* (0.80)	1.63* (0.76)	-3.84** (0.93)	1.75* (0.75)	1.70* (0.75)	-3.26** (0.94)
New Venture	-0.10 (0.18)	-0.07 (0.17)	-0.03 (0.17)	-0.09 (0.17)	2.23** (0.58)	0.86 (0.59)
Social Movements	0.21** (0.03)	0.20** (0.03)	0.21** (0.03)	-0.29* (0.12)	0.21** (0.03)	-0.15 (0.12)
Pay Disparity (ln)		1.11** (0.05)	1.64** (0.06)	0.97** (0.06)	1.30** (0.07)	1.58** (0.08)
Pay Disp. X Informal			-1.03** (0.10)			-0.94** (0.11)
Pay Disp. X Social Mov.				0.09** (0.02)		0.07** (0.02)
Pay Disp. X New Vent.					-0.43** (0.10)	-0.17+ (0.10)
R-squared	0.22	0.29	0.33	0.29	0.30	0.33
F-value	85.99**	115.73**	131.23**	112.01**	113.83**	121.22**

** p<0.01, * p<0.05, + p<0.1. N

pay gaps are beneficial for businesses with both high and low involvement in social movements, yet the relationship is stronger for firms with high involvement in social movements. Holistically, these results suggest that members may see pay disparities as more fair, the more social movements a business is a part of.

Hypothesis 4 predicts that newness moderates the relationship between pay gaps and performance in cooperative organizations such that the relationship is less positive in new ventures. As shown in Model 4, the coefficient for the interaction term between pay disparity and new ventures is negative and significant ($\beta = -0.43$; $p < 0.01$). Thus we find support for Hypothesis 4. To aid interpretation, we plot the interaction effect in Figure 3.4. As may be seen in the figure, pay gaps are beneficial for both established and new ventures, yet more so for the established.

On the whole, the results suggest that pay gaps are beneficial under every context we've examined. That is, we did not identify a contextual factor under which pay gaps are detrimental (negative relationship) in cooperatively oriented organizations. However, the effects are more substantial for formal businesses, those involved in social movements, and established ventures.

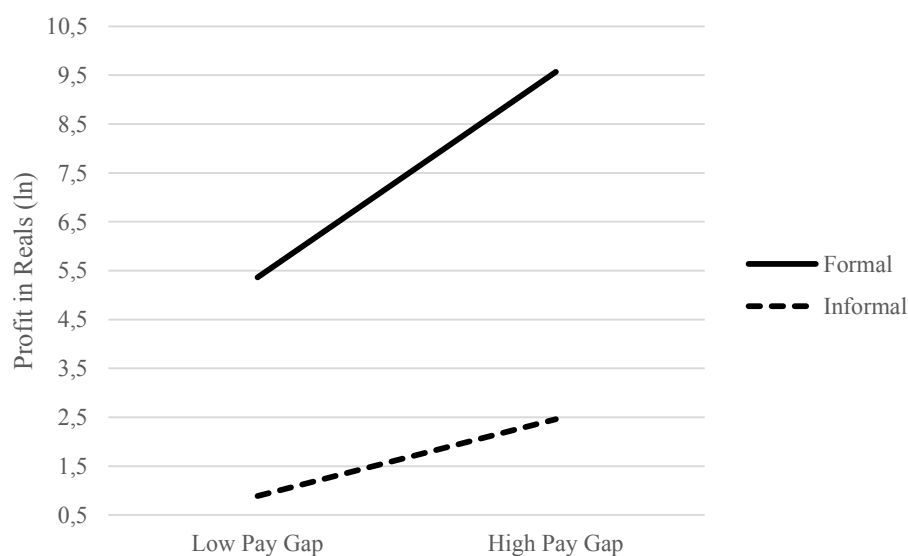
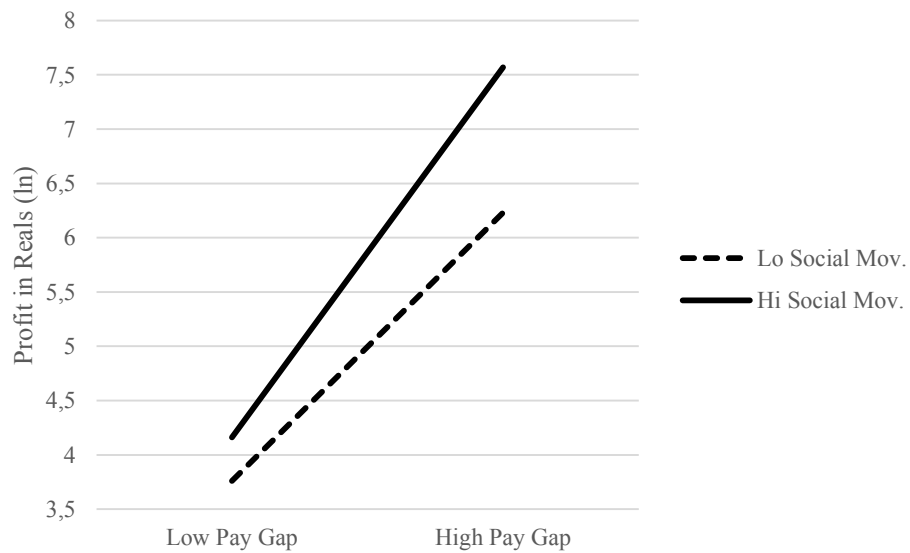
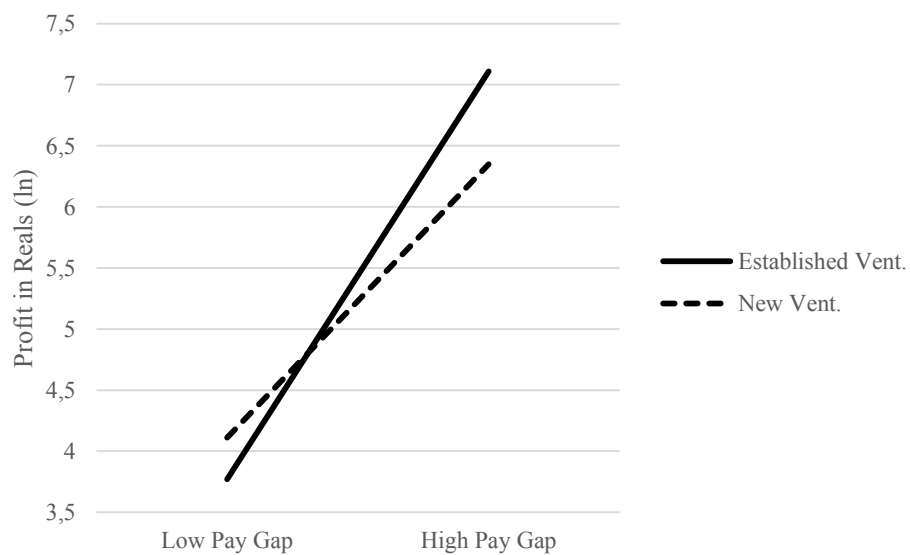


Figure 3.2. Plotted interaction between pay gap and informality**Figure 3.3. Plotted interaction between pay gap and social movements****Figure 3.4. Plotted interaction between pay gap and new venture**

3.3.4. Robustness Checks

We explore the robustness of our findings with several additional tests. First, we test models with an alternative, top-line dependent variables – revenues. Revenue dependent variables are common in research within similar settings (e.g. Brush and Vanderwerf, 1992; Gras and Nason, 2015) as advanced and detailed accounting figures are rarely kept or reported in developing contexts (Frese et al., 2007; McPherson, 1998). Moreover, top-line measures represent the value captured by firms and the willingness of consumers to pay for a business's goods and services (Priem, 2007; Priem, Butler and Li, 2013). Overall sales are not reported by the businesses in our sample, so we calculated them by adding the cost of monthly inputs, monthly wages, and profits. All coefficients remain in the same direction and maintain similar significance levels with the alternative dependent variable.

Second, we included age of the business in addition to whether or not the business was a new venture, in order to control for within-new venture and within-established venture variance. However, it's possible that the age of business variable confounds the new venture moderator results. As such, we tested the models without the age of business control variables. The new venture interaction effect, and all other predicted relationships remained significant at the same levels, and in the same direction.

Third, seven years is a common cut-off to distinguish between new ventures and their establish-ventures cut-off (e.g. Boeker and Karichalil, 2002; Lumpkin and Dess, 2001). However arguments may be made regarding arbitrary nature of this cut-point. As such, we conducted a sensitivity analysis using alternative time frames to identify new ventures – namely three and five years. The interaction effect for new ventures

remained significant below at the .05 level and in the same direction for both three and five year limits.

Fourth, we employed robust regressions to dampen the effect of outliers in our dependent variable, yet outliers are often valuable in understanding the nature of relationships (Gladwell, 2008; Wilcox, 1998). As such, we reran our models using traditional ordinary least squares regression. The main effect, the informality moderator, and the new venture moderator remained in the same direction and with the same significance levels, however the social movements' interaction effect shifted substantially out of significance.

3.4. Discussion

Our study seeks to broaden the understanding of how pay gaps influence organizational performance and which factors affect this relationship. Drawing on the existing research concerned with understanding how pay gaps affect organizational performance, we addressed this issue by providing robust regression models including new ventures, the roles of pay gaps on organizational performance, and how informality, newness and involvement in social movements affected this relationship. Previous studies on pay gaps do not provide clear answers as to which pay approach is best for the organizational performance if adopting a relatively flat rewards structure wherein there are small differences in pay, or a more hierarchical structure wherein there are substantial pay gaps between top-earners and bottom-earners (Henderson and Fredrickson, 2001). So far the two main theoretical perspectives, behavioral theories of relative deprivation and tournament theory, have offered different perspectives being far from clear which one is the best.

Overall, the potential role and the interplay of these contrasting perspectives to explain the effect of pay gaps on organizational performance and identifying salient contingency factors that impact this relationship has been an under researched phenomenon. Therefore, we believe that significant gaps in the literature warranted this research. Our argument is based on the idea that examining the combined effect of both theories helps to explain the relationship between pay gaps and organizational performance, and the conditions that moderate that relationship. Taken together, our results demonstrate a positive relationship between pay gaps and firm performance and that the relationship is moderated by the business's formality, the extent of business's involvement in social movements and new venture status.

Regarding the involvement in social movements we expected that this would negatively affect the relationship between pay gaps and firm performance, but our results indicate the opposite, that is, that involvement in social movements strengthened the relationship between pay gaps on performance. We believe that there are a couple of possible reasons for this result. First, involvement in social movements for CBE's could be a way to further differentiate and compete in their areas. If that is the case, the performance concerns would take precedence over equity concerns. Having a successful venture would be more important than having equality within the organization for those CBE's involved in social movements. Secondly, we measured social involvement as a count variable of the number of social movements the firm is involved with. In doing so, we might have focused on the number of social movements as opposed to the degree of involvement in a particular one. Further research is needed to clarify this issue.

3.4.1. Implications

Our findings have implications for both theory and practice. Regarding theory, the academic conversations around pay-gaps have progressed along parallel, but conflicting paths. One stream argues for and finds a positive effect of pay gaps on performance while the other stream argues for and finds a negative effect. We advance these conversations by shifting the focus from *if* the effect is positive or negative to *when* is it positive or negative. In doing so we help reconcile prior research regarding tournament and relative deprivation theories. Our results indicate that both play significant roles in the pay gap - performance relationship. Thus, we believe the two streams of research may be aligned through exploration and explication of contingency factors in the relationship. We contribute to this alignment first by arguing for a substitution-effect whereby teams may retain cohesion and functionality in the face of pay gaps if alternate factors, such a cooperation-oriented mission, motivate participants. We further identify salient moderators within the cooperative context and extend the entrepreneurship pay gap literature beyond its focus on gender to include the notions of informality, involvement in social movements and newness, which are key to understanding entrepreneurial behavior in a global environment.

Beyond the pay gap literature and theories, we make contributions to emerging scholarship on cooperative and socially-oriented ventures (e.g. Nicholls, 2006, Svendsen and Svendsen, 2004). This literature has begun to uncover the antecedents of performance in social organizations, including factors surrounding the organization's mission (Austin, Stevenson and Wei-Skillern, 2006), access to capital (Weisbrod, 2000), and entrepreneurial orientation (Lumpkin et al., 2013). To this emerging

literature we add a factor that is within the control of business owners or manager and manipulated with relative ease.

Regarding practical implications, following Wang et al. (2015) who claim that *“Economic inequality, although often discussed at the societal level, is also an important organizational topic”* (p. 1156) we provide guidance for managers of both cooperative and traditional businesses. For managers of cooperative businesses as those ones focused on the community, we demonstrate that creating pay gaps can drive financial performance. Notably, some leaders of cooperative businesses may be less interested in maximizing financial performance and more interested in equality among members. Furthermore, some cooperative businesses may not have managers at all, with organizational decisions dictated by voting of all members. In these situations, pay gaps may not improve organizational performance, as performance would be measured by outputs beyond revenues and profits.

However, for organizations searching to maximize financial outcomes, pay gaps provide a means to their desired end. Furthermore, managers benefit from aligning organizational decisions with contingencies and contexts (McWilliams and Smart, 1993). We provide three salient contextual factors that influence the strength of the relationship between pay gaps and performance. For managers of traditional businesses, we provide some evidence that pay inequality need not lead to negative outcomes if some organizational factor fosters cooperation. We are not suggesting that traditional businesses need reform into a cooperative. Instead, cooperation may be fostered in other ways, perhaps through team trainings, transformational leadership techniques, or public acknowledgment and praise of employee cooperation behaviors. Whether or not such means of fostering cooperation supersedes competitive behaviors created by pay gaps is

a matter for future research. However, managers of traditional firms with large pay gaps may do well to test the waters of fostering cooperation, and managers of traditional firms that have already achieved a cooperative culture may benefit from testing the waters of establishing larger pay gaps.

3.4.2. Limitations and future research

Our study contains several limitations, several of which offer opportunities for future research. First, our study is conducted within the context of a single country – Brazil. Yet cooperative organizations may manifest themselves quite differently within other cultures and countries, and this may influence the effect of pay gaps on performance. In particular, we expect that the degree to which cultures are collective versus individual, and the degree to which individuals accept power-distance in a culture (Hofstede and Hofstede, 2001) will substantially impact the relationship between pay gaps and performance, particularly in cooperative organizations.

Second, our performance variable is fairly rudimentary compared to traditional strategy work. Much of this is necessity as sophisticated measure of performance such as total shareholder return, or market-to-book value are inapplicable or unavailable in this context. Nevertheless, future work may explore the relationship between pay gaps and alternative measure of performance. We believe that particularly fruitful measures may be firm growth, survival, and competitive advantage.

Third, our data is cross-sectional. As such, we are limited from studying changes in pay gaps and performance over time. Moreover we are limited from studying the amount of time it takes for pay gaps to influence performance. While difficult to attain,

gathering longitudinal data on cooperative organizations would allow for exploring interesting research questions that were off limits to us.

Fourth, as it was mentioned, our social movements' variable was calculated as the number of social movements businesses listed to which they are members. However, we do not have the ability to measure the extent of involvement in each social movement. Therefore, one business may be extremely involved or a leader in a particular social movement, while another may be minimally involved with four social movements; in which case the latter business would be rated higher on social movements involvement within our analysis. We believe that the extent of involvement in social movements represents an appealing area of research for scholars in a host of domains, including stakeholder theory (Donaldson and Preston, 1995; Freeman, 2010), institutional theory (Campbell, 2007; Scott, 1995), and the broader entrepreneurship literature.

Fifth, all organizations in our sample are determined by the Brazilian government to be members of the solidarity economy. As such, we assume and argue that the organizations are cooperatively-oriented. However it is possible that solidarity businesses vary significantly on the degree to which they are cooperatively-oriented, and we are unable to measure this organizational dimension. Future work may benefit by developing measures of cooperative-orientation and more directly investigating its effect on the relationship between pay gaps and performance.

Bibliography

- Adams, J. S. (1963). 'Towards an understanding of inequity'. *The Journal of Abnormal and Social Psychology*, **67**(5), 422.
- Adams, J. S. (1965). 'Inequity in social exchange'. *Advances in Experimental Social Psychology*, **2**, 267-299.
- Austin, J., Stevenson, H., and Wei-Skillern, J. (2006). 'Social and commercial entrepreneurship: Same, different, or both?'. *Entrepreneurship Theory and Practice*, **30**(1), 1-22.
- Balsam, S., and Harris, E. E. (2013). 'The impact of CEO compensation on nonprofit donations'. *The Accounting Review*, **89**(2), 425-450.
- Bebbington, A.J., Mitlin, D., Mogaladi, J., Scurrah, M., and Bielich, C. (2010). Decentring poverty, reworking government: Social movements and states in the government of poverty. *Journal of Development Studies*, **46**(7), 1304-1326.
- Becker, B. E. and Huselid, M. A. (1992). 'The incentive effects of tournament compensation systems.' *Administrative Science Quarterly*, **37**(2), 336-350.
- Boeker, W., and Karichalil, R. (2002). 'Entrepreneurial transitions: Factors influencing founder departure'. *Academy of Management Journal*, **45**(4), 818-826.
- Brush, C. (1992). 'Research on women business owners: Past trends, a new perspective and future directions'. *Entrepreneurship Theory and Practice*, **16**(4), 5-30.

- Brush, C.G., and Vanderwerf, P.A. (1992). 'A comparison of methods and sources for obtaining estimates of new venture performance'. *Journal of Business Venturing*, **7(2)**, 157-170.
- Campbell, J. L. (2007). 'Why would corporations behave in socially responsible ways? An institutional theory of corporate social responsibility'. *Academy of Management Review*, **32(3)**, 946-967.
- Chatterjee, S., and Hadi, A. S. (1986). 'Influential observations, high leverage points, and outliers in linear regression'. *Statistical Science*, **1(3)**, 379-393.
- Chatterjee, S, and Wernerfelt, B. (1991). 'The link between resources and type of diversification: Theory and evidence'. *Strategic Management Journal*, **12(1)**, 33-48.
- Cornforth, C. (1995). 'Patterns of Co-operative Management: Beyond the Degeneration Thesis'. *Economic and Industrial Democracy*, **16**, 487-523,
- Cowherd, D. M., and Levine, D. I. (1992). 'Product quality and pay equity between lower-level employees and top management: An investigation of distributive justice theory'. *Administrative Science Quarterly*, **37(2)**, 302-320.
- Crosby, F. (1984). Relative deprivation in organizational settings. In Staw, B.M. and Cummings, L.L. (Ed.) *Research in Organizational Behavior*. Greenwich, CT: JAI Press, 51-93.
- Davidson, R., and MacKinnon, J. G. (1989). Testing for consistency using artificial regressions. *Econometric Theory*, **5(3)**, 363-384.

- De Castro, J. O., Khavul, S., and Bruton, G. D. (2014). Shades of grey: how do informal firms navigate between macro and meso institutional environments? *Strategic Entrepreneurship Journal*, **8(1)**, 75-94.
- Deere, C. D. (2003). Women's land rights and rural social movements in the Brazilian agrarian reform. *Journal of Agrarian Change*, **3(1-2)**, 257-288.
- Deutsch, M. (1975). 'Equity, equality, and need: What determines which value will be used as the basis of distributive justice?' *Journal of Social Issues*, **31(3)**, 137-149.
- Donaldson, T., and Preston, L. E. (1995). The stakeholder theory of the corporation: Concepts, evidence, and implications. *Academy of Management Review*, **20(1)**, 65-91.
- Dornstein, M. (1988). Wage reference groups and their determinants: A study of blue-collar and white-collar employees in Israel. *Journal of Occupational Psychology*, **61(3)**, 221-235.
- Ehrenberg, R. G., and Bognanno, M. L. (1990). The incentive effects of tournaments revisited: Evidence from the European PGA tour. *Industrial and Labor Relations Review*, **43(3)**, 74-88.
- Ensley, M. D., Pearson, A. W., and Sardeshmukh, S. R. (2007). The negative consequences of pay dispersion in family and non-family top management teams: An exploratory analysis of new venture, high-growth firms. *Journal of Business Research*, **60(10)**, 1039-1047.

- Eriksson, T. (1999). Executive compensation and tournament theory: Empirical tests on Danish data. *Journal of Labor Economics*, **17**(2), 262-280.
- Francine, B., and Lawrence, M. (2007). 'The gender pay gap: Have women gone as far as they can?' *Academy of Management Perspectives*, **21**(1), 7-23.
- Freeman, R. E. (2010). *Strategic Management: A Stakeholder Approach*. Cambridge: Cambridge University Press.
- Frese, M., Krauss, S. I., Keith, N., Escher, S., Grabarkiewicz, R., Luneng, S. T., Heers, C., Unger, J., and Friedrich, C. (2007). 'Business owners' action planning and its relationship to business success in three African countries'. *Journal of Applied Psychology*, **92**(6), 1481.
- Gibbons, R., and Murphy, K. J. (1990). 'Relative performance evaluation for chief executive officers. *ILR Review*, **43**(3), 305-515.
- Gilliland, S. W. (1993). 'The perceived fairness of selection systems: An organizational justice perspective'. *Academy of Management Review*, **18**(4), 694-734.
- Gladwell, M. (2008). *Outliers: The Story of Success*. Hachette: UK.
- Gras, D., and Nason, R. S. (2015). 'Bric by bric: The role of the family household in sustaining a venture in impoverished Indian slums'. *Journal of Business Venturing*, **30**(4), 546-563.
- Greenberg, J., and Colquitt, J. A. (2013). *Handbook of Organizational Justice*. Psychology Press.

- Greene, P. G., Brush, C. G., Hart, M. M., and Saporito, P. (2001). 'Patterns of venture capital funding: is gender a factor?' *Venture Capital: An international journal of entrepreneurial finance*, **3(1)**, 63-83
- Goldin, C. (2006). 'The quiet revolution that transformed women's employment, education and family'. *American Economic Review*, **96(2)**, 1-21.
- Henderson, A. D., and Fredrickson, J. W. (2001). 'Top management team coordination needs and the CEO pay gap: A competitive test of economic and behavioral views'. *Academy of Management Journal*, **44(1)**, 96-117.
- Hofstede, G. H., and Hofstede, G. (2001). *Culture's Consequences: Comparing Values, Behaviors, Institutions and Organizations across Nations*. Sage: Thousand Oaks, CA.
- Jarillo J. C. (1989). 'Entrepreneurship and growth: The strategic use of external resources'. *Journal of Business Venturing*, **4**, 133-147.
- Lazear, E. P. (1989). 'Pay equality and industrial politics'. *Journal of Political Economy*, **97(3)**, 561-580.
- Lazear, E. P., and Rosen, S. (1981). 'Rank-order tournaments as optimum labor contracts'. *Journal of Political Economy*, **89**, 841-864.
- Lee, K. W., Lev, B., and Yeo, G. H. H. (2008). 'Executive pay dispersion, corporate governance, and firm performance'. *Review of Quantitative Finance and Accounting*, **30(3)**, 315-338.

- Leventhal, G. S. (1980). What should be done with equity theory? New approaches to the study of fairness in social relationships. In K. S. Gergen, M. S. Greenberg, and Willis, R. H. (Ed.), *Social exchange: Advances in theory and research*, 27-55. Plenum: New York.
- Lin, Y. F., Yeh, Y. M. C., and Shih, Y. T. (2013). 'Tournament theory's perspective of executive pay gaps'. *Journal of Business Research*, **66**(5), 585-592.
- Lumpkin, G. T., and Dess, G. G. (2001). 'Linking two dimensions of entrepreneurial orientation to firm performance: The moderating role of environment and industry life cycle'. *Journal of Business Venturing*, **16**(5), 429-451.
- Lumpkin, G. T., Moss, T. W., Gras, D. M., Kato, S., and Amezcua, A. S. (2013). 'Entrepreneurial processes in social contexts: How are they different, if at all?' *Small Business Economics*, **40**(3), 761-783.
- Main, B. G., O'Reilly III, C. A., and Wade, J. (1993). 'Top executive pay: Tournament or teamwork?' *Journal of Labor Economics*, **11**(4), 606-628.
- Martin, J. (1981). Relative deprivation: A theory of distributive injustice for an era of shrinking resources. In L. L. Cummings and B. M. Staw (Ed.), *Research in Organizational Behavior*, **3**, 53-107. JAI Press: Greenwich, CT.
- Martin, J. (1982). The fairness of earnings differentials: An experimental study of the perceptions of blue-collar workers. *Journal of Human Resources*, **17**(1), 110-122.
- McPherson, M.A. (1998). Zimbabwe: A third nationwide survey of micro and small enterprises. Washington, DC: U.S. Agency for International Development.

- McWilliams, A., and Smart, D. L. (1993). 'Efficiency v. structure-conduct-performance: Implications for strategy research and practice'. *Journal of Management*, **19(1)**, 63-78.
- Morley, G. (1978). 'The influence of the status and sex composition of occupations on the male-female earnings gap'. *Industrial and Labor Relations Review*, **31(2)**, 217-226.
- Murray, M. P. (2006.) 'Avoiding invalid instruments and coping with weak instruments'. *The Journal of Economic Perspectives*, **20**, 111–132.
- Nayyar, P. R. (1993). 'Stock market reactions to related diversification moves by service firms seeking benefits from information asymmetry and economies of scope'. *Strategic Management Journal*, **14(8)**, 569-591.
- Nelson, R. R., and Winter, S. G. (2009). *An Evolutionary Theory of Economic Change*. Cambridge: Harvard University Press.
- Nicholls, A. (2006). *Social Entrepreneurship: New Models of Sustainable Social Change*. Oxford University Press: Oxford.
- Nyström, K. (2008). 'The institutions of economic freedom and entrepreneurship: Evidence from panel data'. *Public Choice*, **136(3-4)**, 269-282.
- O'Reilly III, C. A., Main, B. G., and Crystal, G. S. (1988). 'CEO compensation as tournament and social comparison: A tale of two theories'. *Administrative Science Quarterly*, **33(2)**, 257-274.

- Peredo, A. M., and Chrisman, J. J. (2006). 'Toward a theory of community-based enterprise'. *Academy of Management Review*, **31**(2), 309-328
- Pfeffer, J. and Langton, N. (1993). 'The Effect of Wage Dispersion on Satisfaction, Productivity, and Working Collaboratively: Evidence from College and University Faculty'. *Administrative Science Quarterly*, **38** (3), 382-407
- Priem, R.L. (2007). 'A consumer perspective on value creation'. *Academy of Management Review*, **32**(1), 219-235.
- Priem, R., Butler, J., and Li, S. (2013). 'Toward reimagining strategy research: Retrospection and prospection on the 2011 AMR decade award article'. *Academy of Management Review*, **38**(4), 471-489.
- Pucheta-Martínez, M.C., and Bel-Oms, I. (2015). 'The gender gap in pay Company boards'. *Industrial and Corporate Change*, **24**(2), 467-510.
- Rocke, D. M. (1983). 'Robust statistical analysis of interlaboratory studies'. *Biometrika*, **70**(2), 421-431.
- Rosa, P., Carter, S., and Hamilton, D. (1996). 'Gender as a determinant of small business performance: Insights from a British study'. *Small Business Economics*, **8**, 463-478.
- Rosen, S. (1986). 'Prizes and incentives in elimination tournaments'. *The American Economic Review*, **76**, 701-715.
- Scott, W. R. (1995). *Institutions and Organizations* (Vol. 2). Sage: Thousand Oaks, CA.

- Staw, B. M. (1984). 'Organizational behavior: A review and reformulation of the field's outcome variables'. *Annual Review of Psychology*, **35**(1), 627-666.
- Stinchcombe A. (1965). Social structure and organizations. In J. March (Ed.), *Handbook of Organizations*. Chicago: Rand McNally.
- Svendsen, G. L. H., and Svendsen, G. T. (2004). *The Creation and Destruction of Social Capital: Entrepreneurship, Co-operative Movements, and Institutions*. Edward Elgar Publishing: Cheltenham: UK.
- Tarrow, S., and Tollefson, J. (1994). *Power in movement: Social movements, collective action and politics*. Cambridge University Press: Cambridge, UK.
- Vesper, K.H. (1990). *New Venture Strategies*. Prentice Hall: Englewood Cliffs, N.J.
- Wade, J. B., O'Reilly III, C. A., and Pollock, T. G. (2006). 'Overpaid CEOs and underpaid managers: Fairness and executive compensation'. *Organization Science*, **17**(5), 527-544.
- Wang, T., Zhao, B., and Thornhill S. (2015). 'Pay dispersion and organizational innovation: The mediation effects of employee participation and voluntary turnover'. *Human Relations*, **68**(7), 1155-1181.
- Wasserman, N. (2006). 'Stewards, agents, and the founder discount: Executive compensation in new ventures'. *Academy of Management Journal*, **49**(5), 960-976.
- Wayne, G., Hussey, A., and Jetter, M. (2011). 'The gender pay gap beyond human capital'. *Journal of Human Resources*, **46**(4), 827-874.

- Weisbrod, B. A. (2000). *To Profit or not to Profit: The Commercial Transformation of the Nonprofit Sector*. Cambridge University Press: Cambridge.
- Webb, J. W., Bruton, G. D., Tihanyi, L., Ireland, R. D. 'Research on entrepreneurship in the informal economy: Framing a research agenda'. *Journal of Business Venturing*, **28(5)**, 598-614.
- Webb, J. W., Tihanyi, L., Ireland, R. D., and Sirmon, D. G. (2009). You say illegal, I say legitimate: Entrepreneurship in the informal economy. *Academy of Management Review*, **34(3)**, 492-510.
- Westhead, P., and Wright, M. (1998). Novice, portfolio, and serial founders in rural and urban areas. *Entrepreneurship: Theory and Practice*, **22(4)**, 63-66.
- Wilcox, R. R. (1998). How many discoveries have been lost by ignoring modern statistical .

Capítulo– 4

The boundary conditions of gender diversity in top teams

Capítulo– 4**The boundary conditions of gender diversity in top teams**

Abstract:

Using gender role theory, this study seeks to extend previous research and examines the phenomenon of gender diversity on firm performance. We first do this by studying these dynamics in a particularly relevant context: community-based enterprises (CBEs). This study uses gender role theory (GRT) to explain how the presence of women in top management teams (TMT) influences firm performance. Our framework combines GRT with a tokenism perspective which focuses on under-represented members in a group. Our results provide evidence for the positive effect of gender diversity in top management teams on firm performance. However and importantly, our findings also indicate the presence of an inflexion point where more women in top teams is detrimental for firm performance. This study also provides evidence that having more women in the business or being more democratic in terms of participative decision-making does not strengthen the impact of gender diversity on firm performance. More participation does not necessarily translate into increases in firm performance, however, TMT compensation does. Receiving compensation for being in the top management team should make women feel more legitimate and feel empowered to have a real say in the company's direction. This, in turn, has a positive impact on firm performance.

Keywords: community-based enterprises, top management teams, compensation, women, participative decision-making.

Capítulo– 4**The boundary conditions of gender diversity in top teams**

4.1. Introduction

The field of diversity within organizations is a key area of academic concern. Recently there has been an increase of scholarly interest and activity in the field of board diversity with multiple studies addressing the topic from different perspectives (e.g., Bear et al., 2010; Hillman and Dalziel, 2003; Reguera-Alvarado et al., 2015). Within this broad topic, the specific issue of gender diversity is acquiring a growing relevance (Adams and Ferreira, 2009; Joecks et al., 2013; Terejesen et al., 2009). Indeed, the literature has related the existence of a gender bias on boards to symptoms of poor governance and sub-optimal boards (Carver, 2002; Casell, 2000; Heilman, 2012; Reguera-Alvarado et al., 2015).

However, women remain underrepresented in firm's upper echelons, and within the existing specialized literature, whether and how women directors affect firm performance is still subject to debate (for a review, see Terjesen et al., 2009). Underlying extant mixed findings is the fact that the effect of gender diversity varies according to the organizational context in which it is embedded. Specifically, research has found that the influence of women directors might be contingent on factors such as their actual capacity to weigh in decision-making and the perceived legitimacy of their appointment (Nielsen and Huse, 2010; Sealy, 2010; Trejesen et al., 2009)

Using gender role theory, in this study we seek to extend previous research and examine the phenomenon of gender diversity on firm performance. We first do this by studying these dynamics in a particularly relevant context: that of community-based

enterprises (CBEs). Since the seminal work of Peredo and Chrisman (2006), CBEs- a term used to refer to businesses that have a communal purpose- have garnered great attention as an alternative to traditional enterprises owned and founded by one or few entrepreneurs (Daskalaki, Maira and Hjorth, 2015; Haugh, 2007; Peredo and Chrisman, 2006; Somerville and McElwee, 2011).

CBEs are appropriate for this study for several reasons. First, they can become instruments of women's empowerment. In many developing countries women often work in an isolated and informal manner, operating at a low level of activity and reaping marginal income. Joining forces in small-scale CBEs can provide them with the economic, social, moral, networks and political advantage they need. Second, in CBEs all the members involved in the business participate in the decision-making process, thus allowing a useful and interesting setting to examine the effect of having participatory/democratic environments in the relationship between gender diversity and firm performance. Third, little is known about the impact of women in CBE performance when they have representative roles in the firm.

In the context of CBEs, this paper examines the effect of women in top teams on firm performance, and three factors that we contend affect that relationship: the overall percentage of women in the business, the level of participative decision-making, and top management team (TMT) compensation. Given the limited current presence of women in managerial positions, we use a tokenism perspective to underlie our arguments. Tokens are defined as under-represented members in a group (Kanter, 1977; Strach and Wicander, 2001), who are placed in such positions not to provide their insights but to fulfill a quota. Our research allows for the examination of the process by which tokenism translates to decision-making power and firm performance.

This study makes several contributions to both the women entrepreneurship literature and to role gender theory. First, it extends the theoretical women entrepreneurship literature to explain the role of women in member-governed organizations, by adding factors that may influence the impact of women in top teams and the organizational performance such as the number of gender diversity in the business, the level of participative decision-making and TMT compensation. Second, where previous research has found that women are mainly concerned by social issues (Caputo and Dolinsky, 1998; Connelly, 1992; DeMartino, Barbato and Jacques, 2006), which can make those businesses managed by women have lower organizational performance than those managed by men, this work provides empirical evidence that the presence of women in top teams can also result in better firm performance. However and importantly, our findings also indicate the presence of an inflexion point where more women in top teams is detrimental for firm performance. Third, the results are consistent with, and extend gender role theory, in particular with regard the role of women in community-based enterprises. This study provides evidence that having more women in the business or being more democratic in terms of participative decision-making does not strengthen the impact of gender diversity on firm performance. More participation does not necessarily translate into increases in firm performance, however, TMT compensation does. Receiving compensation for being in the top management team should make women feel more legitimate and feel empowered to have a real say in the company's direction. This, in turn, has a positive impact on firm performance.

This paper is organized into four additional sections following this introduction. The second section presents the research hypotheses development. The third section offers a detailed description of the methodology, covering the dataset, the sample, the measures used and the empirical strategy. The fourth section gathers the results

obtained. Finally, the fifth section discusses the main conclusions, implications, limitations and lines out some future research avenues.

4.2. Theoretical framework and hypotheses

Research on diversity has a long-standing tradition in management literature (Milliken and Martins, 1996; Pelled, 1996). While scholars generally agree that diversity in top management team affects performance in significant ways, so far, there has been contrasting perspectives for and against diversity. Indeed, this concept has been considered as a “double-edged sword” (Hambrick et al., 1996, p.668) as illustrated by the common debate on homogeneity vs. heterogeneity in the diversity and management literature. The underlying premise in favor of diversity is that heterogeneity results in a broader perspective which allows groups to be involved in-depth conversations and generate different alternatives (Robinson and Dechant, 1997; Van Knippenberg et al., 2004; Watson et al., 1998). On the other hand, there are scholars who argue that the in-group members may tend to favor those who are similar to them and oppose those different and as such reduce or devalue the contributions of out-group members (Nielsen, 2010; Randoy et al., 2006; Marimuthu and Kolandaisamy, 2009).

Within the literature on top management teams in organizations, diversity in the composition of the board directors is defined as a mix of attributes, characteristics and skills that individual members bring to the board (Van der Walt and Ingley, 2003). Research on diversity in top teams has been generally focused on traditional businesses that follow the typical homogenous, top-down hierarchical structure. This study brings a different, unique and under researched organizational context in terms of diversity in top teams and what the effects on firm performance as CBEs are. These organizations

are different from the traditional ones especially in that the organizational structure is flatter and the power distance between those on the top and those at the bottom is smaller. This is explained by the fact that in cooperative businesses such as CBEs, all members are owners, and thus they are all involved in decision-making processes. This, as we will show later, is important from a diversity perspective.

One of the most important issues within board diversity characteristics faced by modern organizations is gender diversity (Carter et al., 2003). Pushed by the fact that more and more women were moving into managerial positions within businesses, considerable progress has been made with respect to the research understanding of gender diversity in management (Elsass and Graves, 1997). However, managerial women are still often considered tokens in top teams, and despite the fact that the literature has related the existence of a gender bias on boards to symptom of poor governance and sub-optimal boards, women remain underrepresented in firm's upper echelons (Carver, 2002; Casell, 2000; Heilman, 2012; Reguera-Alvarado et al., 2017).

This study uses gender role theory –GRT-(Eagly, 1987) to explain how the presence of women in TMT influences firm performance and the underlying factors that may be affecting that relationship. GRT suggests that men and women behave according to stereotypes and beliefs, associated with the social role they play. While women are recognized to be more “communal”, men are more “agentic” (Bakan, 1966). In this sense, women have been associated with traits such as empathy, caring, great concern for others and being interested in actualizing values in relationships of great importance to community (Dobbins, 1985; Eagly and Karau, 1991; Fox et al., 1985; Hanson and Mullis, 1985; Fondas, 1997). These traits, in turn, have been found to affect firm performance (see Jennigns and Brush, 2013 for a review)

Our framework combines GRT with a tokenism perspective (Kanter, 1977; Strach and Wicander, 2001) which focuses on under-represented members in a group, defined as “tokens”. According to this perspective, because of their small numbers of minority members, the rest of the group puts them in the position of representing their category. In this sense, Terjesen et al. (2009) claims that the dominant group tends to see women first as female, embodying the gender role stereotype, and only later as individuals. This makes difficult for women directors to be heard, and importantly, listened to on an equal basis with other board members. Thus, it is an appropriated perspective for this study that seeks to extend the understating the dynamics at play in top management teams where women keep on being under-represented.

Accordingly, we contend that a small or limited number of women in boards might be perceived as a token presence. This means that their presence does not affect the decision making of the organization, the rest of the resto of the board will not take into account their contribution. However, when a critical mass of women in the top management group is approached, the decision making process should be affected by their presence, and include their perceptions and expectations and thus have effects on firm performance.

The impact of gender diversity on firm performance in CBEs

The connection between gender diversity and performance has a long history in the literature with contrasting perspectives (Adams and Ferreira, 2009; Campbell and Mínguez-Vera, 2008; Gallego et al., 2010; Jackling and Johl, 2009; Post and Byron, 2015; Siciliano, 1996). Specifically, the actual impact of gender diversity in corporate boards is subject to debate (Joecks et al., 2013). Moreover, lack of consideration of additional issues that may affect that relationship have led to inconclusive and

conflicting results with respect to the relationship between women presence in top management teams and firm performance (Terejesen et al., 2009).

There are studies that associate gender diversity with negative economic performance (De Andres et al., 2005). It is said that gender diversity generates a variety of opinions and critical thinking that may introduce conflict between board directors which results in more time-consuming decision-making (Lau and Murnighan, 1998; Williams and O'Reilly, 1998). Whereas some others show a positive relation (Campbell and Mínguez-Vera, 2008). Women have been shown to be different to men in several aspects. The advantages associated to the presence of women in top management teams include: different viewpoints, experiences, and working styles that may differ from those of their male counterparts as well as cultural insight, understanding and sensitivity critical to serving the needs of new market segments (Cox, 1994). Moreover, it has been recognized that women are more risk averse than men (Croson and Gneezy, 2009; Niederle and Vesterlund, 2007), and often propose less aggressive strategies and sustainable investment criteria (Apesteguia et al., 2012). Taking into account that the trend of current investments is more and more focused on socially responsible investments, this encourages the investors and analysts to consider the existence of the effective equality of women and men in the boards as a positive investment variable (Bear et al., 2010). This fosters preference for the shares of these companies and thus increases their demand and market value (Bear et al., 2010; Fernandez et al., 2004). Other advantage associated with women is the adoption of a more participative leadership style than men (Eagly et al., 2003). This in turn, should provide diverse perspectives in top management teams and encourage open conversations. Finally, some scholars argue that women can add unique perspectives and experiences compared to their male counterparts (Daily and Dalton, 2003; Huse and Solberg, 2006) as well as

being also able to create a good atmosphere in the boardroom, representing diversity, different values and women's issues (Bilimoria and Huse, 1997). Other researchers however find no relation between the variables (Rose, 2007).

Thus, the empirical evidence that analyses the diversity-performance link has been broadly cited in the literature, but with ambiguous findings (Williams and O'Reilly, 1998). This suggests that the influence of gender diversity on firm performance may depend, at least in part, on the organizational context. In this paper we claim that in CBEs gender diversity in top management teams has a positive impact on firm performance.

Community-based enterprises represent an appropriated context to analyze the influence of women in managerial positions on firm performance due to several reasons. First, while CBEs are naturally oriented toward equality, in traditional businesses women are usually under-represented in upper-levels. When they are not, this is often the result of a need to abide by normative expectation, which raises concerns of women directors being "a token promotion" for their sex rather than for their ability (Sealy, 2010). Thus, it is expected that in CBEs gender diversity in managerial positions will have positive benefits to the extent that it will be more consistent the actual nature of this kind of business. Second, as mentioned above, participation in decision-making within CBEs is especially relevant due to the collective property of the business (Peredo and Chrisman, 2006). Thus, having more diverse in top teams should automatically translate into a greater variety of perspectives in addressing strategic issues. Moreover, previous literature has recognized that women can add unique working styles compared to their male counterparts (Daily and Dalton, 2003; Huse and Solberg, 2006). This will add

value in terms of different methods to increase the effectiveness of the business. Thus, this will have a positive effect on firm performance.

Third, in CBEs all members have a say in strategic decisions because they are not only workers but also owners. If there are more women in top teams, it will be more likely female-oriented goals to be addressed. This will make women members feel more supported to believe that those decisions made in terms of female orientation will be managed by the top teams. Women in TMT will be more supported to accomplish those decision-making more oriented toward female issues if more women are represented on boards. This will have a positive impact on firm performance. Moreover, as gender diversity and women are on the top management team are not tokens, their influence on decision making should increase as should their commitment to the success of the organization. In that case, it follows that gender diversity will have a positive impact on firm performance. Stated formally:

Hypothesis 1: Gender diversity in top teams is positively related to firm performance

Moderating factors

4.2.1. Percentage of women in the business

While the influence of women directors on firm performance has garnered increasing scholarly attention, the corresponding impact of the presence of women at lower-level of the employment ladder has been under-researched. The study by Lyngsie and Foss (2017) is a notable exception in that it points out that the positive influence of female top managers on the firm's entrepreneurial activities is negatively conditioned by the firm's proportion of lower-level female employees. This is an interesting yet

perplexing argument and empirical evidence. Wide research has focused on how the empowerment of employees' benefits firm performance (Karakoc and Yilmaz, 2009; Sternberg, 1992) but less is known about how employees may also influence those on the top.

The interconnection between different levels in the organization is especially relevant in community-based enterprises where the employees are also members/owners of the business and hence participate in decision-making. How this influence is conditioned by the predominant gender of the employee is paramount to understand better how the decision-making process is affected by the majority or minority presence of men or women. This is important because it is widely known that women and men pursue different goals. Burke (1997) found that women directors feel that their presence makes the board more sensitive to women's issues. According to tokenism perspective, this effect depends on how many women are in TMT because if there is majority of men in TMT and the presence of women is minority it will be less likely for women to have any impact on decision-making (Erkut et al., 2008). This is supported by the argument that members in a group tend to favor those who are similar to them (Rao and Tilt, 2016) so if men are the majority, decisions will be more oriented toward male-goals. In that case, women would be considered as mere tokens to indicate their inclusion but their presence would not significantly affect decision-making.

These arguments are highly related to homophily and how is possible that similarity of personal characteristics which implies common interests and worldviews may encourage the formation of relevant ties (Lazersfeld and Merton, 1954; McPherson and Smith-Lovin, 1987; Marsden, 1988) which can influence to create supporting networks based on gender-orientation goals. This is important because as CBEs

employees and members are the same. The positive influence of social homogeneity in the workplace relies on making communication easier, behavior more predictable and fosters relationships of trust and reciprocity (Lincoln and Miller, 1979), thus also enhancing instrumental relationships. Thus, in those businesses with higher percentage of women as members, women in top teams will feel better supported because they will be more people whose interests will be aligned with theirs. Overall, this will increase the likelihood that women's voices and ideas are heard and that boardroom dynamics change substantially. This will increase the effect of the presence of women in top teams on firm performance. Basing on this, we contend:

Hypothesis 2: The percentage of women in the business moderates the relationship between gender diversity in top teams and firm performance such that the relationship is more positive the higher percentage of women in the business

4.2.2. Participative decision-making

Nowadays it is becoming less and less feasible to concentrate leadership and decision-making solely at the top of the organization (Huq, 2017; Ramírez et al., 2015). The decision-making processes in an interconnected social system are related to the expected attributes, those that emerge from the interaction of these decisions and their participants. Several advantages have been associated to this process of participative decision making such as encouraging autonomy, self-organization, independence, and enhancement of the knowledge of those individuals involved (Ramírez et al., 2015). These are essential factors for the development, analysis and implementation of the decisions. Community-based enterprises are mainly characterized by a collective participation of their members where each of them has a say in the direction of the business so that the interplay of the different levels within the businesses is considered,

from the top to the bottom. Un this paper we argue that participative decision-making will not only have a direct positive effect on the organizational performance but also an indirect one, by strengthening the positive impact of women directors on firm performance.

Having more participative decision-making will encourage to bring more different perspectives not only in terms of how to address managerial decisions but also to prioritize decisions and being selective to increase the effectiveness. Previous literature has recognized that women tend to adopt a more participative leadership style than men (Eagly et al., 2003) as well as to be more communicative. Other studies have found that women are more collaborative, team and community-oriented and participative (Anderson and Sleaf, 2004; Eagly and Johnson, 1990; Lämsä, Vehkaperä, Puttonen, and Pesonen, 2008). We contend that implementing a participative process will increase the positive impact of women directors on firm performance because women feel more comfortable in democratic environments. Hence, we expect that more participative decision-making will strengthen the positive impact of gender diversity on firm performance. Stated formally:

Hypothesis 3: Participative decision making in the business moderates the relationship between gender diversity in top teams and firm performance such that the relationship is more positive the higher participative decision making in the business

4.2.3. Compensation of TMT

Another issue that has received growing interest in recent years, among both academic and practitioners is the compensation of top managers (Gigliotti, 2013). It plays an important role in terms of aligning interests. For instance, compensation in the

form of shares has become the indicated way for aligning the interests of top managers and owners in the company (Hillman et al, 2003). Providing shares to the top managers puts them into the shoes of the owners. They should therefore be encouraged to take decisions that aim to safeguard the interests of owners. The compensation of top management teams is the central mechanism of internal control representing the interests of owners and monitoring top managers. Some research has shown that gender diversity on boards of directors positively relates to firm value (Campbell and Mínguez-Vera, 2008; Carter et al., 2003).

Descriptions of women adopting male practices and techniques in order to gain acceptance in male-dominated work settings have been analyzed and the scholarly literature (Coppolino and Seath, 1987; Kanter, 1977). Gutek (1985) described this phenomenon of women "acting like men" as one of the outcomes of "sex role spill-over," whereby a high percentage of one gender in an occupation causes the gender role for that sex to spill over into the work role for that occupation (Ely, 1985). Thus, people in men's jobs often "act like men" in order to be perceived as good workers. However, Kanter (1977) explained that when women represented minority a group where men are the majority, there is a point where women are potentially allies, can form coalitions, and can affect the culture of the group. Moreover, if women are in TMT in businesses where all members are involved in the participative decision making, and they receive a compensation of being in the managerial team, they will feel that they have been elected because of meritocracy and legitimacy than just to have more gender diversity in TMT.

Basing on this, despite women tend to be tokens in top management teams being imposed by law, in the case of CBEs where they are directly elected by members who also have to make decisions about providing compensations, this places them in an

active position and considered legitimate to be in the management team. If members have to make an effort to provide compensation to those in top teams, women will feel that they have been elected because they are considered seriously as valuable for the position. This will be encouraged by the fact that TMT serve two important functions for organizations: monitoring management on behalf of shareholders and providing resources (Hillman and Dalziel, 2003). This will strengthen the impact of gender diversity on firm performance. Stated formally:

Hypothesis 4: Compensation in top teams moderates the relationship between gender diversity in top teams and firm performance such that the relationship is more positive the higher the compensation

4.2.4. Curvilinear relationship

Nevertheless, are there limits to diversity? That is, is there a point where adding more women to the top management team can slow down and even affects negatively the relationship between gender diversity and firm performance? Following Lyngsie and Foos (2017) who claim that effect of gender diversity on entrepreneurial activities does not have a lineal relationship, we contend that gender diversity in top management teams may not be linearly associated with outcomes. As a matter of fact, there may be a saturation point above which an increase in gender diversity in top teams does not add to firm's capacity to performance well. In other words, too much gender diversity may not always translate into improved performance. It is possible that gender diversity is positive for firm performance up to a point where more women start to have a detrimental effect. This can be explained by several reasons. There are scholars who have emphasized that while women entrepreneurs consistently emphasize non-monetary entrepreneurial motivation (Brush, 1992; Buttner & Moore, 1997), men, in contrast are

generally motivated by the promise of a better competitive advantage or operational savings for the business (Braun, 2010). Moreover, scholars reiterate that women entrepreneurs are more likely to emphasize environmental issues, as compared with their male counterparts. In this sense, it is likely that there will be a point where having more women on boards may change the orientation of the management toward more social issues decreasing firm performance because it may be not a priority face social aspects.

Moreover, there might be two important reasons for this phenomenon in organizations. First, past a point, an increase in the number of women in the board actually leads to less diversity. In the same way that boards dominated by men should be less effective because of lack of different perspectives and viewpoints, the same should happen to boards composed of mostly women. Secondly, the tokenism arguments warn against a backlash from men that can react negatively to the new majority and affect firm decision making and performance. According to Kanter (1977), this minority members can be potentially allies, form coalitions and affect the culture of the group. They can begin to become individuals differentiated from each other as well as type differentiated from the majority. Thus we contend that past a point, increase in the number of women in top management actually results in a negative relationship with firm performance

This study posits a curvilinear relationship in which positive contribution of gender diversity in top teams is applied only up to a certain threshold and becomes negative as gender diversity grows beyond this level.

Hypothesis 5: The relationship between gender diversity in top teams and firm performance has a curvilinear relationship

4.3. Methodology

4.3.1. Database and sample

Community-based enterprises represent a global phenomenon with an increasing impact around the world. Many governments around the world encourage community-based enterprises because of its potential for job creation and societal transformation. By definition, these businesses are naturally oriented toward equality, which make them an interesting context to examine the effect of gender diversity on firm performance.

Data for this study was obtained from the Solidarity Economy Enterprise Database. The Brazilian Government created the database to gather information regarding the status of the Solidarity Economy in the country. Through this process, government officials identified and surveyed 19,708 solidarity organizations covering all Brazilian states. The database includes information on areas such as financial performance, income distribution practices, organizational form, etc.

The Solidarity Economy represents an alternative economic model driven by three main principles: cooperation, self-management and reciprocity (Miller, 2010). Its main goal is to fight inequality, social exclusion and poverty. The fact that it employed around 2 million people in 2013 illustrates the importance of the Solidarity Economy in Brazil (Nobrega, 2013). In addition, its impact on women is significant (Culti, 2004). Indeed, the database includes a specific section for women with information about work-family balance, social assistance programs or charges within the business.

All businesses included in the database are community-based businesses operating under one of the following organizational forms: informal groups, associations, cooperatives and trade companies.

To test the hypotheses, the sample was restricted to businesses whose “main economic activity” is production and commercialization. Alternatives to this economic activity generally either focus on providing benefits to other business (e.g. products or services exchanging; group savings) or consumption by the members. By selecting on those that concentrate on production and commercialization the focus for this study is on those that are enterprising ventures. This made the final sample up of 11,052 businesses.

4.3.2. Empirical strategy

An ordinary least-squares (OLS) regression was ran, which is a generalized linear modelling technique. OLS regression is one of the major techniques used to analyse data in Management (Hutcheson and Moutinho, 2008; Hutcheson and Sofroniou, 1999).

A straightforward test of a linear relationship between X and Y would be given by the regression equation of Y on X:

$$Y = b_0 + b_1X + e$$

where b_0 is the intercept (the expected value of Y when $X = 0$), b_1 is the coefficient of X (the expected change in Y corresponding to a change of one unit in X), and e is the residual (error term). The coefficient b_1 can be tested for statistical significance (i.e., whether there is evidence of a non-zero relationship between X and Y).

For moderation, this is expanded to include not only the moderator variable, Z, but also the interaction term XZ created by multiplying X and Z together. This is called

a two-way interaction, as it involves two variables (one independent variable and one moderator):

$$Y = b_0 + b_1X + b_2Z + b_3XZ + e$$

The coefficients b_1 and b_2 determine whether there is any main effect of X or Z , respectively, independent of the other, but it is only b_3 that determines whether we observe moderation. Due to the way moderation is defined statistically, testing for a two-way interaction is straightforward. It simply involves an OLS regression in which the dependent variable, Y , is regressed on the interaction term XZ and the main effects X and Z (Dawson, 2014).

4.3.3. Measures

Dependent variable

The dependent variable is *firm performance* defined by profits. As organizations reported average monthly profits in Brazilian Reals (the national coin), the dependent variable is profits in thousands of Reals. Given its distribution, we conducted a logarithmic transformation of the variable.

Independent variable

Our independent variable is *gender diversity in top teams*. Previous work that has analyzed the impact of women on firm performance have used different perspectives with different methods: the ratio of women, the presence of women, or the number of women (Torchia et al., 2011). This paper uses the first option because it is considered the best to capture the presence of women over the total of people on boards.

Basing on this, *gender diversity in top teams* was calculated as the number of women in the top team divided by the total numbers of members in the top team.

Moderators

The study includes three moderators. The first one is total *percentage of women in the business*. This variable is measured as the number of women members divided by the total number of members in the business. Given its distribution, we conducted a logarithmic transformation of the variable.

The second moderator is *participative decision making*. Within the survey, the Brazilian government included a section focused on business management where businesses were asked about the frequency of meetings of General Assembly of members for decision-making. Accordingly, the variable *participative decision making* is an ordinal variable that captures the number of meetings of the General Assembly for decision-making. It ranges from 1 to 7 where 1 involves no meetings and 7 daily meetings.

Finally, the third moderator is *compensation*. This variable includes information on whether directors have received compensation for their work on the board. Thus, this variable is a dummy variable that takes value 1 if those ones in top teams received compensation and 0 otherwise.

Control variables

In testing our hypotheses, a number of control variables were accounted for alternate explanations of variance that may affect the firm performance of the business. First, a control variable for the *dominant age profile of members* is included.

Specifically, the variable was classified in three categories: *predominant youth*, *predominant adult* and *predominant elderly*. Each is assigned a dummy variable, with predominant adults as the reference category. Second, previous work has shown that race of organizational members may be related to firm performance (Iles and Hayers, 1997; O'Reilly et al., 1997; Richard, 2000). Richard (2000) found that firm-level race diversity benefited firms pursuing growth strategies but was detrimental to downsizing firms. Businesses in the sample were asked if there was a predominant race in the business or not. Thus, *predominant race* is defined as a dummy variable that takes value 1 if there was a predominant race and 0 otherwise. Third, previous literature has found mixed effects of the size of the business on firm performance with studies finding positive effects (Yazdanfar, 2013; Asimakopoulos et al., 2009), negative effects (Goddard et al., 2005) or no effect at all (Glancey, 1998; Crespo and Clark, 2012). Thus, this study includes *size* as a control variable in an attempt to shed light about the effect of business size on firm performance in CBEs. This variable is calculated through a count variable of the number of members in the business. Fourth, as meaningful variance in remain in both the new and established ventures, the study controls for the *age of the business* in years. Fifth, this study controls for the *economic activity* with three options: production or production and commercialization named as *sector 1*, commercialization or organization of the commercialization named as *sector 2* and services provision or work for third parties named as *sector 3*. Each is assigned a dummy variable, with sector 1 as the reference category. Sixth, this study controls for the *manager tenure*, that is, the time that the current manager has been in current position. This variable is an ordinal variable that ranges from 1 to 7 being 1 “less than one year”, 2 “between one and two years”, 3 “between four and years”, 4 “between four and six years”, 5 “between six and ten years”, 6 “more than ten years” and 7 “not

applicable”. Seventh, finally this study includes a control variable to capture how important the money generated from the business represents a main income for the households of the members. This can be key to understand how it affects firm performance because if it is not a main income for members, this makes the concern about economic aims to be reoriented not being a paramount issue in favour social issues. Thus, a control variable called *role of income*. This variable is a dummy variable that takes value 1 is the income represent a main income for members and 0 otherwise.

4.3.4. Results

Table 4.1 presents the descriptive statistics and correlation among the variables. Table 4.2 presents the results of the analysis. Model 1 is our baseline model, including only control variables as predictors. Model 2 tests the main effect prediction of gender diversity in top teams and firm performance, and includes control variables. Models 3, 4, and 5, test our moderation hypotheses and include those variables in the previous model, as well as variables percentage of women in the business, participative decision-making, and compensation, tested individually. Model 5 includes the squared term. Finally, model 6 includes the full model with all control variables, the independent variables, moderators and the squared term.

With respect to the control variables, as shown in table 4.2, Model 1, variables that capture the age profile of the members, both predominant youth ($\beta=-0.50$; $p<.001$) and predominant elderly ($\beta=-0.72$; $p<0.001$) had a negative and significant effect on firm performance. This means that being too young or too old is detrimental for firm performance. Regarding race, a negative and significant effect on firm performance was found ($\beta=-0.09$; $p<0.05$). This supports the previous works that have associated a positive effect of race diversity on organizational outcomes. Iles and Hayers (1997)

claim that an organization that is culturally diverse overcomes resistance to change with regard to accepting diversity, and as such should be well positioned to handle other types of change as well. This should translate into better firm performance. In addition, *manager tenure* has a negative and significant effect indicating that spending more time as a manager may be counterproductive because decreases firm performance. Conversely, the size of the business had a positive and significant effect ($\beta=0.28$; $p<0.001$). Other control variables such as the age of the business ($\beta=0.18$; $p<0.001$), sector 2 ($\beta=0.46$; $p<0.001$) and role of income ($\beta=1.21$; $p<0.001$) had positive and significant effects as well.

Hypothesis 1 predicts that gender diversity in top teams positively impacts firm performance. As shown in table 4.2, Model 2, the coefficient for gender diversity in top teams is positive and significant ($\beta=1.45$; $p<0.001$). Thus, this study provides empirical support for the positive effect of women on boards on firm performance (Campbell and Mínguez-Vera, 2008) and shows that this relationship holds in particular in CBEs settings. Thus, we find support for hypothesis 1

Hypothesis 2 predicts that percentage women in the business positively moderates the relationship between gender diversity in top teams and firm performance such that the relationship is more positive the higher percentage of women in the business. It is noteworthy that while the main effect of the percentage of women was negative and significant, its interaction with gender diversity is positive and marginally significant ($\beta=0.13$; $p<0.10$). Thus, we do find marginal support for hypothesis 2.

Hypothesis 3 predicts that participative decision making positively moderates the relationship between gender diversity in top teams and firm performance such that the relationship is more positive the higher participative decision-making in the

business. As shown in Model 4, while participative decision-making had a positive main effect on firm performance, the coefficient for the interaction term with gender diversity was positive but not significant. Thus, we do not find support for hypothesis 3.

Hypothesis 4 predicts that compensation moderates the relationship between gender diversity in top teams and firm performance such that the relationship is more positive the higher compensation. As shown in table 4.2, both the moderating variable's main effect ($\beta=0.25$; $p<0.05$) and its interaction term was positive and significant ($\beta=0.95$; $p<0.001$). Thus, we find support for hypothesis 4 lending credence to the fact that providing a compensation for women on boards will likely make them feel them valued and legitimate, reinforcing their positive influence on performance.

Finally, hypothesis 5 predicts that the relationship between gender diversity in top teams and firm performance has a curvilinear form. As shown in table 4.2, Model 5, the sign of the estimated coefficient indicated that the relationship between gender diversity in top teams and firm performance follows a curvilinear form. Thus, we find support for hypothesis 5.

Table 4.1. Descriptive statistics and correlations among variables

Variables	Mean	S.D.	A	B	C	D	E	F	G	H	I	J	K	L	M	N
A. Profits	8.17	0.02	1.00													
B. Age Profile- Predominant Youth	0.04	0.01	-0.07**	1.00												
C. Age Profile- Predominant Elderly	0.04	0.01	-0.08**	-0.05**	1.00											
D. Predominant Race	0.78	0.01	-0.05**	0.02*	-0.01	1.00										
E. Size	2.58	0.01	0.28**	0.01*	-0.01	-0.04**	1.00									
F.. Age of Business	1.09	0.01	0.14**	-0.03**	0.06**	0.03**	-0.20**	1.00								
G. Economic Activity-Sector 2	0.17	0.01	0.11**	-0.07**	0.01	-0.12**	-0.18**	-0.03**	1.00							
H. Economic Activity-Sector 3	0.07	0.01	0.05**	0.15**	-0.02	-0.02**	0.04**	0.05**	-0.14**	1.00						
I. Manager Tenure	2.99	0.02	-0.17**	0.01	0.03**	0.03**	-0.19**	0.01**	-0.08**	-0.01**	1.00					
J. Role Income for Members	0.38	0.01	0.35**	-0.02*	-0.07**	-0.01	0.03**	0.05**	0.14**	0.05**	-0.05**	1.00				
K. Gender Diversity in TMT	0.43	0.01	0.38**	0.02	-0.06**	0.02*	0.21**	0.19**	0.03**	0.12**	0.14**	0.15**	1.00			
L. Percentage Women in the Business	3.88	0.01	-0.38**	0.01	0.04**	-0.02*	-0.21**	-0.18**	-0.04**	-0.08**	-0.14**	-0.14**	-0.72**	1.00	1.00	
M. Participative Decision Making	6.89	0.01	0.10**	-0.01	0.01	-0.01	0.11**	0.01	0.02*	0.01	0.02**	0.02**	0.05**	-0.05**	-0.02	1.00
N. Compensation	0.05	0.01	0.14**	0.05**	0.01	0.01	0.02	0.05**	0.01	0.08**	0.08	0.08**	0.07**	-0.10**	-0.10**	-0.02

† $p < .10$; * $p < .05$; ** $p < .01$; *** $p < .001$.

Table 4.2. OLS Regression analysis

	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7
	β (SE)	β (SE)	β (SE)	β (SE)	β (SE)	β (SE)	β (SE)
Age Profile-Predominant Youth	-0.50*** (0.07)	-0.52*** (0.07)	-0.51*** (0.07)	-0.52*** (0.07)	-0.52*** (0.07)	-0.51*** (0.07)	-0.51*** (0.07)
Area Profile-Predominant Elderly	-0.72*** (0.08)	-0.55*** (0.08)	-0.57*** (0.07)	-0.56*** (0.07)	-0.56*** (0.07)	-0.56*** (0.07)	-0.55*** (0.07)
Predominant Race	-0.09* (0.04)	-0.13*** (0.04)	-0.14*** (0.03)	-0.15*** (0.03)	-0.14*** (0.03)	-0.14*** (0.03)	-0.14*** (0.04)
Size	0.39*** (0.01)	0.31*** (0.01)	0.30*** (0.01)	0.29*** (0.01)	0.29*** (0.01)	0.29*** (0.01)	0.29*** (0.02)
Age of Business	0.18*** (0.02)	0.07*** (0.02)	0.06** (0.02)	0.06** (0.02)	0.06** (0.02)	0.06** (0.02)	0.06** (0.02)
Economic Activity-Sector 2	0.46*** (0.04)	0.36*** (0.04)	0.34*** (0.04)	0.34*** (0.04)	0.34*** (0.04)	0.34*** (0.04)	0.33*** (0.04)
Economic Activity-Sector 3	0.19** (0.06)	0.11† (0.06)	0.01 (0.06)	0.02 (0.06)	0.02 (0.06)	0.01 (0.06)	0.01 (0.06)
Manager tenure	-0.10*** (0.01)	-0.06*** (0.01)	-0.05*** (0.01)	-0.05*** (0.01)	-0.05*** (0.01)	-0.06*** (0.01)	-0.06*** (0.01)
Role Income for Members	1.21*** 0.03	1.09*** (0.03)	1.05*** (0.03)	1.04*** (0.03)	1.04*** (0.03)	1.04*** (0.03)	1.04*** (0.03)
Gender Diversity in Top Teams		1.45*** (0.50)	0.83*** (0.07)	0.01 (0.34)	-0.47 (0.67)	-0.67 (0.67)	1.40† (0.77)
Percentage Women in the Business			-0.41*** (0.03)	-0.56** (0.06)	-0.56*** (0.06)	-0.57*** (0.07)	-0.35*** (0.08)
Participative Decision Making			0.07*** (0.02)	0.07*** (0.02)	0.05* (0.02)	0.05* (0.02)	0.04* (0.02)
Compensation			0.07*** (0.08)	0.71*** (0.08)	0.71*** (0.08)	0.25* (0.10)	0.25* (0.10)
Gender Diversity X Percentage Women				0.19* (0.08)	0.19* (0.08)	0.22** (0.08)	-0.08 (0.10)
Gender Diversity X Particip. Decision Making					0.07 (0.08)	0.07 (0.08)	0.08 (0.08)
Gender Diversity X Compensation						0.94*** (0.21)	0.95*** (0.21)
Gender Diversity in Top Teams ²							-0.91*** (0.37)
R-squared	0.223	0.288	0.301	0.309	0.310	0.312	0.313
F-value	373.06***	498.96***	412.11***	401.10***	374.68***	352.23***	335.17***

† $p < .10$, * $p < .05$, ** $p < .01$, *** $p < .00$

4.5. Discussion and conclusion

Gender diversity is one of the most important issues faced by modern organizations in particular as it relates to the nature of their executive boards (Carter et al., 2003). Prompted by the fact that more and more women move into managerial positions within businesses, considerable progress has been made with respect to the research on gender diversity in management (Elsass and Graves, 1997). Overall, scholarly interest in how the gender of top managers influences organizational outcomes has a long history in the literature with contrasting perspectives (Adams and Ferreira, 2009; Campbell and Mínguez-Vera, 2008; Gallego et al., 2010; Jackling and Johl, 2009; Post and Byron, 2015; Siciliano, 1996). However, relatively little work exists on how top management teams gender composition relates to organizational performance in CBEs and what are the factors that affect that relationship. Several and important gaps in the literature call for more inquiry on this topic.

So far, previous studies of gender diversity's impact on performance at the top management team level have reported mixed and often contradictory results, suggesting the critical influence of other contextual variables on this relationship (Adams and Ferreira, 2009; Campbell and Mínguez-Vera, 2008; Gallego et al., 2010; Jackling and Johl, 2009; Post and Byron, 2015; Siciliano, 1996). Focusing on women which are still under-represented in managerial positions, this study adopts a gender role theory and tokenism perspective (Strach and Wicander, 2001) to posit that organizational context matters, and that a broader set of organizational variables interacts with gender diversity to influence firm performance. Specifically, we examine the effect of three main variables in that relationship: the percentage of women in the business, the degree of participative decision-making and compensation. The tokenism perspective focuses on

minority groups defined as tokens of under-represented members in a group. Gender role theory argues that groups are defined in terms of their perceived stereotypical behavior. Thus, women while on top boards would be more concerned with non-financial concerns and only a few of them are necessary to “represent” their group. Both approaches are appropriate for this study because: First, women in top management teams are still often considered tokens in top management teams, which are put in those positions to supposedly increase the diversity of the organization, but in reality, their presence counts little in terms of decision making. Second, women stereotypically are perceived to be less concerned about financial performance than men are. These research concerns can help us understand the effects group composition has on board effectiveness and the likely success or failure of governance proposals advocating greater diversity. They can also shed light on whether tokenism prevents female directors from having an impact on corporate outcomes.

Our results indicate that past a threshold in the number of women on the board, the effects of their presence on the board is reflected in increases in organizational performance, and that companies in which there is a critical mass of women (Torchia et al., 2011) in the board have higher financial performance. Despite the fact that the literature has related the existence of a gender bias on boards to symptoms of poor governance and sub-optimal boards, women remain underrepresented in firm’s upper echelons (Carver, 2002; Casell, 2000; Heilman, 2012; Reguera-Alvarado et al., 2015). Our argument is based on the idea that analyzing the combined effect of gender role theory and tokenism perspective help us to understand the relationship between gender diversity and financial performance, and the conditions that moderate that relationship. Taken together, this study’s results suggest that the relationship between gender

diversity in top teams and organizational outcomes may be more complex than scholars have previously realized.

The results show several relevant conclusions. In line with previous studies, we find a positive relationship between gender diversity and financial performance (Campbell and Mínguez-Vera, 2008). However, at the same time the results indicate that there are limits to the advantage of having diversity in organizations, as exemplified by the existence of a curvilinear relationship. That is, diversity in top teams is beneficial up to a point, where it starts to be detrimental. This is an important result since previous studies have found mixed results with some scholars observing a positive influence, other negative and other no empirical evidence, this study provides evidence of that gender diversity in top teams is beneficial to firm performance up to a certain level and harmful after that point and helps explain those inconsistent prior results. Our results indicate that there are limits to the advantage of having diversity in organizations. Moreover, we examined the influence of the percentage of women in the business, the level of democracy, measured by the number of meetings of participative decision-making by the General Assembly, and compensation moderate the relationship between gender diversity of top management teams and firm performance. Specifically, we found that while the percentage of women in the business and compensation had a positive effect on financial performance, the fact that having a more participative decision making in the business did not have any effect on financial performance is interesting and potentially revealing. This supports the previous finding of Kahnweiler and Thompson (2000) who claimed that gender is not a factor to explain how much employees want to be involved in various work place decisions nor in how much they are asked to be involved in them. They found that males and females do not differ in terms of how much they wish to be involved in decision making. Moreover, Kahnweiler

and Thompson recognized that the underlying premise about that females desire more collaborative, inclusive, and participatory decision making strategies whereas men tend to be more comfortable in a traditional, hierarchical, "command and control" environment is suspect. We argued that having a more participative decision process would positively affect the relationship between gender board diversity and firm performance, but the results indicate actually the opposite, that participative democracy affects negatively the relationship between board gender diversity and firm performance. While traditionally researchers have considered gender diversity as part of the process of increasing participation in organizations, our results indicate that participatory democracy and gender board diversity affect in different ways firm performance.

Our findings have implications for both theory and practice. Regarding theory, we advance knowledge about gender role theory and its ability to help explain the impact of women in managerial position on the financial performance in CBEs. CBEs, because of their nature should be naturally oriented toward equality. Our results indicate that while the presence of women in managerial positions positively influence the financial performance, we also find that this effect is beneficial up to a point where the effect starts to be detrimental. Moreover, we provide evidence that having more democratic environments do not increase the effect of diversity in top teams on financial performance.

Beyond the gender diversity in top teams literature and theories, we contribute to the emerging scholarship on community-based enterprises (Peredo and Chrisman, 2006). This literature has been mainly focused on women differences in terms of social and economic goals. We go beyond this narrow examination of CBE's, which are

socially oriented businesses by nature, by taking them as a starting point to examine the effect of gender diversity on the financial performance. Our results indicate that in examining the relationship between gender diversity of boards and firm performance, context does matter, and in this context, there is a positive relation between gender diversity of the top management team and firm performance. To this emerging literature, we add factors that have not been addressed so far within the literature: the percentage of women in the business, participative decision making and compensation.

4.5.1. Implications

The article has important implications for corporate boards and policy-makers, suggesting the importance of increasing the number of women in boards of directors to benefit from the diversity in value, perspectives, background and skills they bring to top management teams. This study focuses on an under-researched context in terms of top management teams, CBEs. This work shows that gender diversity in top on boards is positive which is aligned to the orientation toward equality that these businesses have. However, at the same time even although having more women is positive for financial performance, there is a saturation point from when the influences starts to be detrimental.

Regarding practical implications, it is necessary to promote the presence of women in top management teams not by external coercive measures such as laws but from within companies and due to social and labor justice and professional skills. We suggest that firms increase female representation on their boards, since it positively influences their financial performance. Thus, board gender diversity adds value to firm since it brings to the board new ideas and different skills and views. This result aligns with the business profile of CBEs oriented toward equality.

We suggest that companies must have a more efficient view, from the economic perspective, through the incorporation of a greater percentage of women into their boards. This increase of female representation in the will provide firms not only with economic benefits but also with greater ethical commitments, social visibility and the attraction of human capital.

4.5.2. Limitations and future research

This study extends previous gender diversity in top teams and financial performance research but is not without limitations under a CBEs context. First, due to the restrictions imposed by the data, we have information for only one year. This does not allow us to analyze the dynamics of women in top management teams over time. Future research should analyze how women in different years affect financial performance. It would be interesting to complete this analysis with the effect of the politic and economic situation of the country. Second, this study does not find support for the influence of participative decision making in the relationship between gender diversity in top teams and financial performance. Future research should go deeper on this and analyze to what extent this can be conditioned by the topics addressed in the meetings of General Assembly. Within the entrepreneurship literature, while scholars have tended to move beyond essentializing gender differences, gender socialization seems to keep influencing the stated goals and strategic choices of entrepreneurs. Accordingly, women entrepreneurs are found to be more likely to emphasize non-monetary entrepreneurial motivation such as environmental and social issues than their men counterparts (Brush, 1992; Buttner and Moore, 1997; Hechevarria et al., 2016; Braun, 2010). Third, CBEs are highly characterized by being involved in networks (production, commercialization, etc). Future research should analyze how the

involvement in specific networks may influence the effect of women on financial performance.

Bibliography

Adams, R.B., and Ferreira, D. (2009). 'Women in the boardroom and their impact on governance and performance'. *Journal of Financial Economics*, **94**, 291-309.

Apesteguia, J., Azmat, G., and Iriberry, N. (2012). 'The impact of gender composition on team performance and decision-making: Evidence from the field'. *Management Science*, **58(1)**, 78-93.

Asimakopoulous, I., Samitas, A., and Papadogonas, T. (2009). 'Firm specific and economy wide determinants of firm profitability: Greek evidence using panel data'. *Managerial Finance*, **35(11)**, 930 - 939.

Bear, S., Rahman, N., and Post, C. (2010). 'The impact of board diversity and gender composition on corporate social responsibility and firm reputation'. *Journal of Business Ethics*, **97(2)**, 207-221.

Braun, P. (2010). 'Going green: women entrepreneurs and the environment'. *International Journal of Gender and Entrepreneurship*, **2(3)**, 245-259.

Brush, C. G. (1992). 'Research on women business owners: Past trends, a new perspective and future directions'. *Entrepreneurship: Theory and Practice*, **16(4)**, 5-31.

Burke, R. J. (1997). 'Women on corporate boards of directors: A needed resource'. *Journal of business Ethics*, **16(9)**, 909-915.

- Buttner, E. H., and Moore, D. P. (1997). 'Women entrepreneurs: moving beyond the glass ceiling'. *Journal of Small Business Management*, **35**, 34-36.
- Campbell, K., and Mínguez-Vera, A. (2008). 'Gender diversity in the boardroom and firm financial performance'. *Journal of Business Ethics*, **83(3)**, 435-451.
- Caputo, R. K., and Dolinsky, A. (1998). 'Women's choice to pursue self-employment: The role of financial and human capital of household members'. *Journal of Small Business Management*, **36(3)**, 8-17.
- Carter, D.A., Simkins, B.J., and Simpson, W.G. (2003). 'Corporate governance, board diversity, and firm value'. *Financial Review*, **38**, 33-53.
- Carver, J. (2002). *On Board Leadership*. San Francisco, CA: Jossey-Bass
- Cassell, C. (2000). 'Managing Diversity in the New Millennium'. *Personnel Review*, **29(3)**, 268-274.
- Connelly, R. (1992). 'The effect of child care costs on married women's labor force participation'. *The review of Economics and Statistics*, 83-90.
- Coppolino, Y., and Seath, C. B. (1987). 'Women managers: Fitting the mould or moulding the fit'. *Equal Opportunities International*, **6**, 4-10.
- Cox, T. (1994). *Cultural diversity in organizations: theory, research, and practice*. San Francisco (CA): Berrett-Koehler.
- Crespo, G., and Clark, R. A. (2012). 'Analyzing the Determinants of Profitability, Part 3: Evidence from European Manufacturers'. *Transfer Pricing Report*, **21(6)**, 297- 310.

- Croson, R., and Gneezy, U. (2009). 'Gender differences in preferences'. *Journal of Economic Literature*, **47(2)**, 1-27.
- Culti, M. Z. (2004). Mulheres na economia solidária: Desafios sociais e políticos. Presented in *IV Congreso Europeo CEISAL de Latinoamericanistas* in Bratislava-República Eslovaca.
- Daily, C. M., and Dalton, D. R. (2003). 'Women in the boardroom: A business imperative'. *Journal of Business Strategy*, **24(5)**, 8-10.
- Daskalaki, M., Hjorth, D., and Mair, J. (2015). 'Are entrepreneurship, communities, and social transformation related?' *Journal of Management Inquiry*, **24(4)**, 419-423.
- De Andres, P., Azofra, V., and Lopez, F. (2005). 'Corporate boards on OECD countries: Size, composition, functioning and effectiveness'. *Corporate Governance: An International Review*, **13(2)**, 197-210.
- Dobbins, G. H. (1985). Effects of gender on leaders' responses to poor performers: An attributional interpretation. *Academy of Management Journal*, **28(3)**, 587-598.
- Eagly, A. H. (1987). *Sex differences in social behavior: A social-role interpretation*. Hillsdale, NJ: Erlbaum.
- Eagly, A. H., and Karau, S. J. (1991). 'Gender and the emergence of leaders: A meta-analysis'. *Journal of personality and social psychology*, **60(5)**, 685.
- Eagly, A. H., and Carli, L. L. (2003). 'The female leadership advantage: An evaluation of the evidence'. *The leadership quarterly*, **14(6)**, 807-834.

- Eagly, A. H., and Johnson, B. T. (1990). 'Gender and leadership style: A meta-analysis'. *Psychological Bulletin*, **108**, 233–256.
- Ely, R. J. (1995). 'The power in demography: Women's social constructions of gender identity at work'. *Academy of Management Journal*, **38(3)**, 589-634.
- Erkut, S., Kramer, V. W., and Konrad, A. M. (2008) 'Critical Mass: Does the Number of Women on a Corporate Board Make a Difference?', in S. Vinnicombe, V. Singh, R. Burke, D. Bilimoria and M. Huse (eds.). *Women on Corporate Boards of Directors: International Research and Practice*. Edward Elgar, London, 222–232.
- Elsass P.M, and Graves L.M. (1997). 'Demographic diversity in decision-making groups: the experiences of women and people of color'. *Academy of Management Review*, **22**, 946– 973.
- Forbes, D.P., and Milliken, F.J. (1999). 'Cognition and corporate governance: Understanding boards of directors as strategic decision-making groups'. *Academy of management review*, **24(3)**, 489-505.
- Gallego, I., García, I., and Rodríguez, L. (2010). 'The influence of gender diversity on corporate performance'. *Spanish Accounting Review*, **13(1)**, 53-88.
- Guttek, B. A. (1985). *Sex and the workplace*. San Francisco: Jossey-Bass.
- Goddard, J., Tavakoli, M., and Wilson, J. O. (2005). 'Determinants of profitability in European manufacturing and services: evidence from a dynamic panel model'. *Applied Financial Economics*, **15(18)**, 1269-1282.

- Fernandez, E., Gomez, S., and Cuervo, A. (2004). 'The stock market reaction on the introduction of best practices codes by Spanish firms'. *Corporate Governance: An International Review*, **12(1)**, 29-46.
- Fondas, N. (1997). Feminization unveiled: Management qualities in contemporary writings. *Academy of Management Review*, 22(1), 257-282.
- Gigliotti, M. (2013). 'The compensation of top managers and the performance of Italian firms'. *The international journal of human resource management*, **24(4)**, 889-903.
- Hambrick, D.C., Cho, T.S., and Chen, M.J. (1996). 'The influence of top management team heterogeneity on firm's competitive moves'. *Administrative Science Quarterly*, **41**, 659-684.
- Hanson, R. A., and Mullis, R. L. (1985). 'Age and gender differences in empathy and moral reasoning among adolescents'. *Child Study Journal*, **5(3)**, 181-188.
- Haugh, H. (2007). 'Community-led social venture creation'. *Entrepreneurship Theory and Practice*, **31(2)**, 161-182.
- Hechevarria, D.M., Terjesen, S.A., Ingram, A.E., Renko, M., Justo, R., and Elam, A. 2016. 'Taking care of business: The impact of culture and gender on entrepreneurs' blended value creation goals'. *Small Business Economics*, 1-33.
- Heilman, M.E. (2012). 'Gender stereotypes and workplace bias'. *Research in organizational Behavior*, **32**, 113-135.

- Hillman, A.J., and Dalziel, T. (2003). 'Boards of directors and firm performance: Integrating agency and resource dependence perspectives'. *Academy of Management review*, **28(3)**, 383-396.
- Iles, P., and Hayers, P.K. (1997). 'Managing diversity in transnational project teams: A tentative model and case study'. *Journal of Managerial Psychology*, **12**, 95-117.
- Jackling, B., and Johl, S. (2009). 'Board structure and firm performance: Evidence from India's top companies'. *Corporate Governance: An international Review*, **17(4)**, 492-509.
- Joecks, J., Pull, K., and Vetter, K. (2013). 'Gender diversity in the boardroom and firm performance: What exactly constitutes a "critical mass"?'. *Journal of Business Ethics*, **118(1)**, 61-7.
- Kanter, R.M. (1977). 'Some effects of proportions on group life: Skewed sex ratios and responses to token women'. *American journal of Sociology*, **82(5)**, 965-990.
- Kahnweiler, W. M., and Thompson, M. A. (2000). 'Levels of desired, actual, and perceived control of employee involvement in decision making: An empirical investigation'. *Journal of business and psychology*, **14(3)**, 407-427.
- Karakoc, N., and Yilmaz, A. K. (2009). 'Employee empowerment and differentiation in companies: A literature review and research agenda'. *Enterprise Risk Management*, **1(2)**.
- Lämsä, A.M., Vehkaperä, M., Puttonen, T., and Pesonen, H. L. (2008). 'Effect of business education on women and men students' attitudes on corporate responsibility in society'. *Journal of business ethics*, **82(1)**, 45-58.

- Lau, D.C., and Murnighan, J.K. (1998). 'Demographic diversity and faultlines: The compositional dynamics of organizational groups'. *Academy of Management Review*, **23**(2), 325-340.
- Lyngsie, J., and Foss, N. J. (2015). 'The more, the merrier? Women in top-management teams and entrepreneurship in established firms'. *Strategic Management Journal*, **38**, 487-505.
- Marimuthu, M., and Kolandaisamy, I. (2009). 'Can demographic diversity in top management team contribute for greater financial performance? An empirical discussion'. *The Journal of International Social Research*, **2**(8), 273-286.
- Miliken, F.J., and Martins, I.L. (1996). 'Searching for common threads: Understanding the multiple effects of diversity in organizational groups'. *Academy of Management Journal*, **21**(2), 402-433.
- Miller, E. (2010). "Solidarity economy: Key concepts and issues". In E. Kawano, T.N. Masterson and J. Teller-Elsberg (Ed.) *Solidarity Economy I: Building alternatives for people and planet*. Amherst, MA.
- Nielsen, S., and Huse, M. (2010). 'The contribution of women on boards of directors: Going beyond the surface'. *Corporate Governance: An International Review*, **18**(2), 136-148.
- Niederle, M., and Vesterlund, L. (2007). 'Do women shy away from competition? Do men compete to much?' *Quarterly Journal of Economics*, **122**(3), 1067-1101.
- Nielsen, S. (2010). 'Top management team diversity: A review of theories and methodologies'. *International Journal of Management Reviews*, **12**, 301-316.

Nobrega, C. (2013). Solidarity Economy: Finding a new way out of poverty. Published online: <https://www.theguardian.com/global-development-professionals-network/2013/oct/09/brazil-solidarity-economy-labour>

O'Reilly, C., Williams, K., and Barsade, S. (1997). Demography and group performance: Does diversity help? Presented at the annual meetings of the Academy of Management. Boston (MA).

Pelled, L.H. (1996). 'Demographic diversity, conflict, and work group outcomes: An intervening process theory'. *Organization Science*, **7(6)**, 615-631.

Peredo, A.M., and Chrisman, J.J. (2006). 'Toward a theory of community-based enterprise'. *Academy of Management Review*, **31(2)**, 309-28.

Post, C., and Byron, K. (2015). 'Women on boards and firm financial performance: A meta-analysis'. *Academy of Management Journal*, **58(5)**, 1546-1571

Ramírez, M.C., Sanabria, J.P., Duarte, D.M., and Caicedo, L.C. (2015). 'Methodology to support participative decision-making with vulnerable communities. Case study: Engineers without borders Colombia/Ingenieros Sin Fronteras Colombia-ISFCOL'. *System Practice Action Research Journal*, **28**, 125-161.

Rao, K., and Tilt, C. (2016). 'Board composition and corporate social responsibility: The role of diversity, gender, strategy and decision making'. *Journal of Business Ethics*, **138(2)**, 327-347.

Reguera-Alvarado, N., de Fuentes, P., and Laffarga, J. (2015). 'Does board gender diversity influence financial performance? Evidence from Spain'. *Journal of Business Ethics*, 1-14.

- Richard, O.C. (2000). 'Racial diversity, business strategy, and firm performance: A resource-based view'. *Academy of Management Journal*, **43**(2), 164-177.
- Robinson, G., and Dechant, K. (1997). 'Building a business case for diversity'. *The Academy of Management Executive*, **11**(3), 21-31.
- Rose, C. (2007). 'Does female board representation influence firm performance? The Danish evidence'. *Corporate Governance: An International Review*, **15**(2), 404-413.
- Sealy, R. (2010). 'Changing perceptions of meritocracy in senior women's careers'. *Gender in Management: An International Journal*, **25**(3), 184-197
- Siciliano, J.I. (1996). 'The relationship of board member diversity to organizational performance'. *Journal of Business Ethics*, **15**(2), 1313-1320.
- Somerville, P., and McElwee, G. (2011). 'Situating community enterprise: A theoretical exploration'. *Entrepreneurship & Regional Development*, **23**(5-6), 317-330.
- Terjesen, S., Sealy, R., and Singh, V. (2009). 'Women directors on corporate boards: A review and research agenda'. *Corporate governance: an international review*, **17**(3), 320-337.
- Torchia, M., Calabrò, A., and Huse, M. (2011). 'Women directors on corporate boards: From tokenism to critical mass'. *Journal of Business Ethics*, **102**(2), 299-317.
- Van Der Walt, N., and Ingley, C. (2003). 'Board dynamics and the influence of professional background, gender and ethnic diversity of directors'. *Corporate Governance: An International Review*, **11**(3), 218-234.

- Watson, W.E., Johnson, L., and Merritt, D. (1998). 'Team orientation, self-orientation, and diversity in task groups their connection to team performance over time'. *Group and Organization Management*, **23**, 161-188.
- Williams, K., and O'Reilly, C. (1998). Demography and diversity in organizations: A review of 40 years of research. In: Staw BM, Cummings LL, editors. *Research in organizational behavior*. Greenwich (CT): JAI Press, p: 77-140.
- Yazdanfar, D. (2013). 'Profitability determinants among micro firms: evidence from Swedish data'. *International Journal of Managerial Finance*, **9(2)**, 151-160.

Capítulo – 5

Conclusiones, implicaciones y futuras líneas de investigación

Capítulo – 5

Conclusiones, implicaciones y futuras líneas de investigación

5.1. Introducción

La presente tesis doctoral está integrada por cinco capítulos. Siguiendo a la introducción, se presentan tres capítulos (capítulos 2, 3 y 4), cada uno de ellos enfocado a aspectos referidos al proceso de creación de empresas en la base de la pirámide económica. La tesis cubre dos ámbitos principales: en primer lugar, un análisis de cómo determinadas políticas gubernamentales en materia de asistencia social afectan a las decisiones de los integrantes de la base de la pirámide a la hora de crear una empresa y, en segundo lugar, identificar qué factores y cómo están afectando a los beneficios económicos de las empresas creadas por individuos viviendo en la base de la pirámide. A continuación, se detalla el contenido de cada uno de ellos y se presentan las principales conclusiones extraídas de los mismos.

5.2. Conclusiones del trabajo de investigación

En el capítulo 2, se propuso un modelo de investigación que analizaba cómo las políticas gubernamentales en materia de asistencia social influían en la decisión de crear empresas por individuos viviendo en condiciones de escasez. Este capítulo supuso un cambio de enfoque respecto a los estudios previos en la literatura centrados en los efectos de programas como los micro-créditos en el fomento del espíritu emprendedor de individuos de la base de la pirámide. Este análisis fue más allá de los estudios tradicionales en la materia, adoptando y no limitándose a un enfoque basado en las políticas gubernamentales de asistencia primaria sino identificando dos variables determinantes que podrían estar afectando a esa relación entre gobierno y emprendimiento: los niveles de pobreza y la educación. Basándose en la literatura

previa preocupada por entender cómo ayudar a los individuos viviendo en situaciones de pobreza a crear nuevos negocios (Bruton, Ketchen y Ireland, 2013; Hall, Stelvia, Sheehan y Silvestre, 2012; Khavul, 2010; Prahalad, 2006; Shetty, 2010), el objetivo principal de este capítulo fue ayudar a explicar cómo la asistencia social del gobierno da forma a las preferencias de los individuos que se encuentran inmersos en situaciones de escasez.

Los resultados obtenidos de este capítulo basado en la *rational choice theory* (Scott, 2000) indicaron que comprender el efecto de políticas sociales en la creación de nuevas empresas es claramente más complejo y multidimensional de lo que se creía. Este capítulo proporcionó evidencia de que recibir apoyo del gobierno no siempre fomenta el emprendimiento en la base de la pirámide. De hecho, es más probable que impulse a los individuos hacia un empleo asalariado que hacia la creación de nuevas empresas cuando ningún otro factor es considerado. Por otro lado, se observó que cuando se tiene en cuenta el nivel educativo de los individuos, éste hace que la asistencia gubernamental sea positiva sobre la creación de empresas, no ocurriendo lo mismo al analizar el efecto aislado del nivel educativo. En este sentido se observa que más educación hace que los individuos en la base de la pirámide opten más por empleos asalariados que por crear un negocio cuando dichos individuos no reciben apoyo del gobierno. Asimismo, este capítulo proporcionó evidencia de que aquellos individuos viviendo en extrema pobreza es más probable que creen un nuevo negocio si ellos reciben apoyo del gobierno. Finalmente, se observa que el nivel de pobreza influye en el efecto del nivel de educación y asistencia social del gobierno sobre la creación de nuevas empresas.

El conocimiento obtenido de los resultados de este segundo capítulo es clave si la creación de empresas es un mecanismo fiable de alivio de la pobreza en países en desarrollo (Seelos y Mair, 2007). Este capítulo mostró el importante efecto de desarrollar programas sociales destinados a cubrir las necesidades básicas además de proveer un incentivo adicional a través de la educación con aquellas políticas sociales como una manera efectiva de promover el emprendimiento en la base de la pirámide.

Dado que el proceso de creación de empresas puede implicar uno o más individuos, un análisis completo del fenómeno emprendedor en torno a la creación de empresas en la base de la pirámide suponía contemplar dos dimensiones: una a nivel individual y otra a nivel colectivo.

El capítulo 3 implicó un cambio de perspectiva respecto al segundo capítulo. De la visión tradicional del emprendimiento basada en el individuo abordada por el capítulo 2, a una corriente del emprendimiento que está adquiriendo cada vez más fuerza y relevancia, y que versa sobre negocios emprendedores colectivos denominados “*community-based enterprises*” o “empresas basadas en la comunidad” (Peredo y Chrisman, 2006). El principal objetivo de este capítulo fue ampliar la comprensión de como las diferencias salariales influyen en los beneficios económicos de las empresas y qué factores afectan esta relación. Este capítulo vino motivado por el hecho de que estudios previos sobre diferencias salariales no proveen respuesta clara sobre cuál enfoque de pagos es el más apropiado para los beneficios económicos de las empresas: si adoptar una estructura de recompensas relativamente plana mientras se mantienen pequeñas diferencias salariales entre aquellos individuos que ocupan puestos en la parte más alta frente a aquellos que se encuentran en la base, o una estructura más jerárquica mientras se mantienen grandes diferencias salariales entre los de arriba y los de abajo

(Henderson y Fredrickson, 2001). En este sentido, las dos perspectivas teóricas predominantes en la literatura, *behavioral theories of relative deprivation* y *tournament theory*, han ofrecido enfoques diferentes estando lejos de quedar claro cuál de ellas es la mejor. Analizar esta disonancia en empresas basadas en la comunidad, las cuales están naturalmente orientadas hacia la igualdad y creadas por empresas con recursos escasos, y qué factores la moderan, permitiría clarificar cuál de estas perspectivas es la más adecuada en un contexto hasta entonces no analizado en este ámbito.

Los resultados obtenidos muestran una relación positiva entre las diferencias salariales y los beneficios económicos de las empresas y que esa relación es moderada por la informalidad del negocio, el grado de implicación del negocio en movimientos sociales y la edad del negocio.

Los resultados de este capítulo indicaron que ambas teorías, *tournament* and *relative deprivation*, juegan un papel importante en la relación entre diferencias salariales y beneficios económicos. Por tanto, se deduce que las dos teorías pueden estar alineadas a través de la exploración y explicación de factores contingentes en esta relación. Este capítulo contribuye a esta alineación argumentando un efecto sustitución mientras los equipos pueden mantener la cohesión y funcionalidad en presencia de diferencias salariales si factores alternos tales como la misión orientada a la cooperación, motiva a los participantes. Además, se identifican moderadores salientes dentro del contexto cooperativo y se amplía la literatura sobre emprendimiento y diferencias salariales más allá de su foco sobre género para incluir las variables de informalidad del negocio, implicación en movimientos sociales y edad, los cuales son clave en la comprensión de la actitud emprendedora en un entorno global.

Siguiendo a Wang et al. (2015), quien afirma que *“la desigualdad económica, aunque es un asunto a menudo discutido a nivel de sociedad, constituye también un tema organizacional de gran importancia”* (p. 1156), a nivel práctico este capítulo provee una guía para directivos tanto de empresas cooperativas como de empresas tradicionales. Para los directivos de negocios cooperativos, como aquellos basados en la comunidad, este capítulo demostró que crear diferencias salariales puede afectar positivamente a los beneficios económicos. Notablemente, algunos líderes de negocios cooperativos pueden estar menos interesados en maximizar el beneficio económico y más interesados en mantener la igualdad entre los miembros. En este caso, y en contra de lo que cabría esperar, la implicación en movimientos sociales sí potenciaría la influencia positiva de las diferencias salariales sobre los beneficios económicos.

Finalmente, en el cuarto capítulo se analizó la influencia de la diversidad de género en los equipos directivos sobre los beneficios económicos de empresas basadas en la comunidad y cómo dicha relación puede estar afectada por determinadas variables: porcentaje de mujeres en el negocio, participación en la toma de decisiones y recepción de compensaciones económicas. Este capítulo vino motivado por el hecho de que cada vez más mujeres están adquiriendo posiciones relevantes a nivel directivo. Además, a nivel de la base de la pirámide, las empresas basadas en la comunidad pueden convertirse en importantes instrumentos de empoderamiento de la mujer en muchos países en desarrollo. Las mujeres trabajan individualmente, con frecuencia aisladas, en la economía informal, operando a un nivel muy bajo de actividad por un beneficio marginal muy reducido. Unir sus fuerzas en pequeñas empresas basadas en la comunidad puede proveer a las mujeres con la ventaja económica, social, moral y política que ellas necesitan. Analizar, en este contexto, la dimensión empresarial de la

mujer en puestos directivos dentro de este tipo de empresas permite abordar un marco poco investigado hasta ahora.

En general, la influencia de la mujer en equipos directivos sobre los beneficios económicos de las empresas no está clara, con estudios hasta la fecha mostrando efectos positivos, negativos, o ningún efecto (Adams y Ferreira, 2009; Campbell y Mínguez-Vera, 2008; Gallego, García y Rodríguez, 2010; Jackling y Johl, 2009; Post y Byron, 2015; Siciliano, 1996). Este capítulo se basó en la *role gender theory* (Eagly, 1987) y la *tokenism perspective* (Torchia, Calabrò y Huse, 2011) para analizar la influencia de la diversidad de género en los equipos directivos sobre los beneficios económicos. Además, con el fin de clarificar por qué hasta la fecha se han dado resultados tan contradictorios en la literatura previa, se analizó la posibilidad de existencia de una relación de U invertida. Los resultados proporcionaron evidencia empírica de la influencia positiva de las mujeres en los equipos directivos sobre los beneficios económicos de la empresa. Sin embargo, se observó que, ni una mayor presencia de mujeres en el negocio ni ambientes más democráticos incentivados por un mayor número de reuniones en la toma de decisiones participativas acentuaron el efecto de la presencia de mujeres directivas sobre los beneficios económicos de las empresas. Por otro lado, la presencia de incentivos económicos en forma de compensaciones a los directivos sí influyó en potenciar el efecto de la mujer sobre el beneficio económico de la empresa, así como la existencia de un mayor porcentaje de mujeres.

5.3. Implicaciones del trabajo de investigación

En conjunto, los capítulos 2, 3 y 4 permiten tener una imagen amplia del proceso emprendedor en la base de la pirámide, ya que, cada uno de ellos, aborda el fenómeno

desde una dimensión diferente. Las conclusiones generales que se pueden extraer son varias.

En primer lugar, y siguiendo a Prahalad (pionero en defender a aquellos en la base de la pirámide como agentes económicos activos), se observa que los individuos en la base de la pirámide son emprendedores y pueden serlo a individual o a nivel colectivo. Los resultados arrojan evidencia sobre el hecho de que estos emprendedores son individuos con un papel activo respecto a lo que padecen frente a la concepción de ellos como individuos pasivos. Como agentes económicos, existen dos dimensiones a través de las cuales se pueden obtener los recursos necesarios para emprender: por un lado, políticas gubernamentales en materia de asistencia social que permitan a los individuos liberar recursos hacia el emprendimiento y, por otro lado, poniendo en común los recursos escasos individuales mediante el emprendimiento colectivo.

A lo largo de los capítulos 2, 3 y 4 se observa que los individuos son seres racionales que toman decisiones respecto a su negocio en base a criterios económicos muy determinados que dan una imagen del emprendedor de la base de la pirámide que no se diferencia mucho del emprendedor tradicional. Por ejemplo, los resultados derivados de la presente tesis doctoral muestran que los emprendedores en la base de la pirámide económica prefieren diferencias salariales a que todos sean iguales incluso aunque los negocios estén naturalmente orientados hacia la igualdad y apuesten por empoderamiento de la mujer a través de su presencia en los equipos directivos.

A nivel de políticas gubernamentales, se extrae que si, por un lado, los programas de asistencia social son fundamentales para ayudar a los pobres a emprender como una vía de escape a la pobreza, por otro lado, la creación de nuevas empresas ofrece una importante vía para que los pobres dejen de ser dependientes de esos

programas, puedan volverse auto-suficientes y reducir las desigualdades. Más allá de la asistencia al negocio, los gobiernos tienen que desarrollar estrategias que aseguren que las necesidades básicas están cubiertas para maximizar el impacto de cada programa sobre los individuos desfavorecidos. Los resultados evidencian que un bono añadido para cubrir las necesidades básicas es que esos programas puedan fomentar la creación de nuevas empresas.

Los resultados respecto a pobreza y educación son particularmente interesantes. Mayores niveles de pobreza resultan en mayor creación de empresas pero solo cuando programas de asistencia social son provistos. Esta información es importante, en concreto para los decisores de política interesados en mejorar la suerte de aquellos muy pobres, pero debería llevarnos a reducir e intentar comprender las implicaciones. Este resultado es inconsistente con los resultados previos en la relación entre niveles de pobreza y creación de empresas y es algo que requiere más investigación en el futuro.

Como se ha mencionado anteriormente, estos individuos manejan sus negocios con criterios económicos que pueden perfectamente asimilarse al funcionamiento de negocios tradicionales. En el caso de emprendedores colectivos con empresas basadas en la comunidad, las cuales están naturalmente orientados hacia la igualdad, los resultados arrojan que las diferencias salariales son positivas para los beneficios económicos, viéndose esta relación afectada por tres factores contextuales. Se observa que si bien mayor informalidad del negocio, así como mayor novedad del negocio en términos de cuando fue creado, reducen el efecto positivo de las diferencias salariales sobre los beneficios empresariales, la implicación en movimientos sociales, al contrario de lo que cabría esperar, sí fortalece el efecto positivo de las diferencias salariales sobre los beneficios empresariales. Para los directivos de empresas basadas en la comunidad,

estos resultados proveen evidencia de que se pueden fomentar los beneficios económicos a través de las diferencias salariales mientras se mantienen la cooperación y la cohesión.

Finalmente, los resultados obtenidos en materia de género evidencian que la mujer sí juega un papel determinante en la dirección empresarial de los negocios creados en la base de la pirámide económica, lo cual resulta determinante dado que la mujer siempre ha sido normalmente relegada a un segundo plano en la dirección empresarial especialmente es países en desarrollo. Esto supone un importante empoderamiento de la mujer. No obstante, se observa que hay un punto de saturación en el cual, mayor diversidad de la mujer comienza a ser perjudicial para los beneficios económicos. Esto muestra que la diversidad es positiva pero un exceso de ella que incline la balanza hacia una mayor presencia femenina, puede volverse perjudicial. También se observa que mientras una mayor presencia femenina en el negocio y la recepción de compensaciones por estar en el equipo directivo potencian el efecto de una mayor diversidad en los equipos directivos sobre los beneficios empresariales, tener un ambiente más democrático no.

5.4. Futuras líneas de investigación

Los resultados obtenidos en los capítulos 2, 3 y 4 sientan las bases para la continuación de mis líneas de investigación futuras, las cuales tendrían previsto cubrir tres aspectos fundamentales. El primero, continuar con la profundización de los estudios sobre la influencia de las políticas gubernamentales sobre el emprendimiento mediante el análisis del impacto de otros programas, por ejemplo, programas de empleo sobre la creación de empresas. Si la asistencia social del gobierno viene en forma de programas de trabajo asalariado, la elección racional de los pobres debería ser tomar ese trabajo en

lugar de crear una nueva empresa. Pero si la asistencia social del gobierno se orienta hacia la creación de empresas, ¿cambiarían las preferencias de aquellos individuos? ¿Les impulsaría hacia la creación de empresas?

Sería además interesante analizar la evolución del emprendimiento social en la base de la pirámide. ¿Cómo los emprendedores que crean micro-empresas desarrollan redes con otras personas viviendo en la misma comunidad bajo las mismas condiciones de pobreza? Tal análisis arrojaría luz sobre como la ética social puede cambiar las preferencias.

La segunda línea de investigación vendría referida a profundizar en los análisis relacionados con empresas basadas en la comunidad. Nuestro tercer capítulo presenta diferentes limitaciones, varias de las cuales ofrecen oportunidades para futura investigación. Primero, se lleva a cabo en un contexto de un solo país: Brasil. Sin embargo, las empresas cooperativas pueden manifestarse de maneras muy diferentes dentro de otras culturas y países, y esto puede influir en el efecto de las diferencias salariales sobre los beneficios económicos. En concreto, cabe esperar que el grado al cual las culturas sean más colectivas que individualistas, y el grado al cual los individuos aceptan la distancia al poder en una cultura (Hofstede y Hofstede, 2001) impactará considerablemente en la relación entre diferencias salariales y beneficios económicos, concretamente en empresas cooperativas.

La tercera línea estaría asociada a profundizar en el papel de la mujer en las empresas creadas por individuos basadas en la comunidad. Las limitaciones impuestas por la naturaleza de las bases de datos empleadas, no permitieron profundizar en las decisiones empresariales tomadas en equipos directivos con presencia de mujeres, ni la dinámica que esconden estos negocios en materia de objetivos económicos y sociales, ni

si una mayor presencia de mujeres potencia o limita la recepción de ayudas gubernamentales o de otras instituciones.

Finalmente, la cuarta y última línea de investigación vendría motivada por una pieza sin la cual el puzle emprendedor de la base de la pirámide quedaría incompleto: la figura del emprendedor inmigrante. Las bases de datos en las que se ha basado la presente tesis doctoral recogían información para emprendedores del país de origen, más específicamente en República Dominicana y Brasil. Sin embargo, una de las limitaciones impuestas por dichas bases de datos es la no disponibilidad de información respecto a inmigrantes que deciden emprender en otros países. El objetivo sería llevar a cabo un estudio de campo que permitiese recoger información y crear una base de datos única para analizar cómo los emprendedores inmigrantes desarrollan sus redes y estrategias para poder emprender en otros países y cuáles son las claves que hacen a estos emprendedores con recursos escasos ser exitosos.

Bibliografía

- Adams, R.B., y Ferreira, D. (2009). ‘Women in the boardroom and their impact on governance and performance’. *Journal of Financial Economics*, **94**, 291-309.
- Bruton, G. D., Ketchen, D. J., y Ireland R. D. (2013). ‘Toward a research agenda on the informal economy’. *Academy of Management Perspectives*, **26**, 1–11.
- Campbell, K., y Mínguez-Vera, A. (2008). ‘Gender diversity in the boardroom and firm financial performance’. *Journal of business ethics*, **83(3)**, 435-451.
- Eagly, A.H. (1987). *Sex differences in social behavior: A social-role interpretation*. Hillsdale, NJ: Erlbaum.
- Gallego, I., García, I., y Rodríguez, L. (2010). ‘The influence of gender diversity on corporate performance’. *Spanish Accounting Review*, **13(1)**, 53-88.
- Hall, J., Stelvia, M., Sheehan, L. y Silvestre, B. (2012). ‘Entrepreneurship and innovation at the base of the pyramid: a recipe for inclusive growth or social exclusion?’ *Journal of Management Studies*, **49**, 785–12.
- Henderson, A. D., y Fredrickson, J. W. (2001). ‘Top management team coordination needs and the CEO pay gap: A competitive test of economic and behavioral views’. *Academy of Management Journal*, **44(1)**, 96-117.
- Jackling, B., and Johl, S. 2009. Board structure and firm performance: Evidence from India’a top companies. *Corporate Governance: An international Review*, 17(4): 492-509.

- Khavul, S. (2010). Microfinance: creating opportunities for the poor? *The Academy of Management Perspectives*, 24(3), 58-72.
- Peredo, A. M., y Chrisman, J. J. (2006). 'Toward a theory of community-based enterprise'. *Academy of Management Review*, **31**(2), 309-28.
- Post, C., y Byron, K. (2015). 'Women on boards and firm financial performance: A meta-analysis'. *Academy of Management Journal*, **58**(5), 1546-1571.
- Prahalad, C. K. (2006). *The Fortune at the Bottom of the Pyramid: Eradicating Poverty Through Profits*. Pennsylvania: Wharton School Publishing.
- Scott, J. (2000). 'Rational choice theory'. In Browing, G., Halcli, A. and Webster, F. (Eds.), *Understanding Contemporary Society: Theories of the Present*. New York: Sage, 126-38.
- Seelos, C., y Mair, J. (2007). 'Profitable business models and market creation in the context of deep poverty: A strategic view'. *Academy of Management Perspectives*, **21**(4), 49-63.
- Shetty, S. (2010). 'Microcredit, poverty and empowerment: exploring the connections'. *Perspectives on Global Development and Technology*, **9**, 356-90.
- Siciliano, J. I. (1996). 'The relationship of board member diversity to organizational performance'. *Journal of Business Ethics*, **15**(2), 1313-1320.
- Torchia, M., Calabrò, A., y Huse, M. (2011). 'Women directors on corporate boards: From tokenism to critical mass'. *Journal of Business Ethics*, **102**, 299-317.

Wang, T., Zhao, B., y Thornhill, S. (2015). 'Pay dispersion and organizational innovation: The mediation effects of employee participation and voluntary turnover'. *Human Relations*, **68(7)**, 1155-1181.