Same Cue, Different Reactions:
Audience Evaluation of Hybrid Organizations and the Differential Effect of Gender Signal

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ABSTRACT

Market audiences often select potential exchange partners using existing categories, and they often assist their evaluation of candidate partners by relying on additional cues of information about the candidates. Although different audiences may apply various categorization schemes, it remains unclear whether they react to these information cues similarly or differently. This question is critical to understanding why the strength of the categorical imperative may vary among audiences, thus making hybridization of organizational forms possible. In this paper, we explore this question by investigating how external audiences evaluate a specific form of hybrid organizations: forprofit social enterprises. We focus on the gender identity of the founding teams as an important cue of information, and theorize that audiences react to this signal in distinct ways. We test this proposal in the context of more than 2000 early-stage ventures operating in the US between 2013 and 2017, by comparing the likelihood of social enterprises being funded by equity investors and philanthropic donors with their pure business and charitable counterparts. The finding is consistent with our expectation about donors but inconsistent with our expectations about investors. We discuss the implication of these results, and their potential contribution to theories on hybrid organizations, market categorization and the role of gender in entrepreneurship.

Keywords: category, audience evaluation, information cue, gender, hybridity, social enterprise

INTRODUCTION

Social audiences of organizations in the market, such as consumers or funders, often organize their selection of exchange partners based on existing market categories. This principle, conceptualized as the categorical imperative (Zuckerman, 1999, 2000), has become one of the core theoretical insights in organizational science and economic sociology to understand the socio-cognitive structure of markets (Durand, Granqvist, & Tyllström, 2017; Hannan, 2010; Zuckerman, 2017). The imperative implies that organizations spanning categorical boundaries tend to suffer from decreased market illegitimacy, perceived quality and market attention (Hsu, 2006; Negro, Hannan, & Rao, 2010; Negro & Leung, 2013), due to the increased uncertainty on both the producer and audience side (Hsu, Koçak, & Hannan, 2009; Keuschnigg & Wimmer, 2017). Audiences play an important role in categorizing and evaluating organizations (Carroll & Swaminathan, 2000; Negro, Koçak, & Hsu, 2010; Zuckerman, 1999).

Despite this imperative, organizations continue their hybridization by encompassing components from different economic sectors. As a notable example, the recent rise of hybrid organizations has marked the increasingly blurring boundary between the business and charity form of organizations (Battilana & Lee, 2014; Child, 2016; Weisbrod, 1998). When the candidate organizations violate the categorical purity, audiences often assist their evaluation by using additional information available about the candidates, such as the distance between categories spanned (Kovács & Hannan, 2010, 2015), the social status of the candidates (Phillips and Zuckerman 2001; Zuckerman et al. 2003) and the specific ways in which categories are combined by the candidates (Wry, Lounsbury, & Jennings, 2014). Organizations can also assist audience perception by providing additional information about themselves, through strategies such as pairing their products with well-established brands (Zhao, Ishihara, & Lounsbury, 2013).

The specific outcome of evaluation is also contingent upon field-level factors, including the maturity (Rosa, Porac, Runser-Spanjol, & Saxon, 1999; Ruef & Patterson, 2009) and stability (Negro, Hannan, & Rao, 2011) of the categorical boundaries, and the social structure of the market field as a whole (Leahey, 2007; Leahey, Beckman, & Stanko, 2017).

Despite the utility of this additional information about candidates to audiences, limited research has explored how *different* groups of audiences may react to the same information cues in various ways during evaluation. Generally, these incidental details of candidate organizations may provide additional cues regarding the potential behaviors of candidates, thus lowering the uncertainty and guiding the choice of audiences. More importantly, audiences may interpret such information cues in relation to their own specific goals. So far, category scholars pay little attention to the variation in audience goals (but see Pontikes 2012 for an exception) and its implication for the evaluation outcome. More recently, Zuckerman asserts that "[t]he literature on categorization in markets has generally been content to assume that a set of individual evaluators aggregate to form an 'audience' that acts as one" (2017:27). This assumed homogeneity among audiences precludes a refined theory of the variation among audience reactions to additional information cues. Given the importance of this information during evaluation, this question is important to understanding why the strength of the categorical imperative may vary among different audiences, thus making hybridization of organizational forms possible (Battilana & Dorado, 2010; Pache & Santos, 2012; Smith & Besharov, 2017).

There are also reasons to expect that different audiences with distinct goals may react to additional cues of information, such as the gender identity of a candidate organization, in various ways. First, the evaluation of audiences may not be solely based on whether the candidate organizations violate the categorical purity. Audiences may also rely on additional cues of

information to moderate the size and direction in which the categorical imperative takes effect. Although this information may be incidental to the organizational core, it can shape the perception of social actors about potential opportunities in an influential way, especially when there is a substantial asymmetry of information between exchange partners. For example, network scholars have shown that social actors may select exchange partners using secondary information such as their transaction records (Powell, White, Koput, & Owen-Smith, 2005; Sorenson & Stuart, 2008). Similarly, evaluators may also use past transactions to infer the status and legitimacy of particular exchange partners (Podolny, 2001). During the process of evaluation, audiences also assist their own evaluation by utilizing other information about candidates, such as the word-of-mouth information about movies prior to release (Liu, 2006), affiliation with established brands (Zhao et al., 2013), and the status of the candidates being evaluated (Zuckerman et al. 2003) and their collaborators (Sauder, Lynn, & Podolny, 2012).

Information about the founding teams, especially their gender composition, may be one of the most salient signals about candidate organizations. The composition of founding teams of an organization is closely linked to its identity (Baron, Hannan, & Burton, 2001; Navis & Glynn, 2011; Rodrigues & Child, 2008). Founders tend to behave in ways consistent with the identities of the founding teams, and imprint their self-concepts on the creation of new firms and other entrepreneurial outcomes (Stinchcombe 1965), such as business model and product strategy (Fauchart & Gruber, 2011). Unlike many other signals, the gender identity of the founding teams is highly visible to audiences. It is also much less expensive to obtain than other types of signals, such as status or reputation. More crucially, gender is a socially meaningful concept capable of influencing the perceived fitness of the founding teams with the goals and strategies of candidate organizations. As a social system, gender constructs the social meaning of being females and

males, and attributes them with different level of competency in various tasks and activities (Cejka & Eagly, 1999; Dimitriadis, Lee, Ramarajan, & Battilana, 2017; Ridgeway & Smith-Lovin, 1999). Under high uncertainty, audiences often invoke gender stereotype in their evaluation, thus devaluing the viability of enterprises founded by female leaders (Lee & Huang, 2018).

Second, the interpretation of these information cues, including the gender composition of the founding teams, is likely to vary based on the goals of specific audiences. Audiences may bring different goals into the process of categorization (Durand et al., 2017). For instance, while consumers of software companies use categories for product selection, venture capitalists in the industry use the present categorical labels to identify promising ventures capable of creating new opportunities for developing a new market system of classification (Pontikes 2012). But it is also likely that the effect of different goals on categorization is manifested during the stage where audiences shift their focus from the ambiguous categories to other information that could also signal the plausibility of the candidates as exchange partners (Navis & Glynn, 2011). Therefore, additional information cues supplement the audiences' consideration of categorical purity, thus capable of modifying the strength of categorical imperative.

Thus, we expect that when the gender identity of hybrid organizations is congruent with the central category in the perception of audiences, the uncertainty surrounding the organizations is mitigated, thus leading to a less hybridity-based penalty. These expectations are captured in our "deficit" hypotheses and "gender" hypotheses, to be tested in the empirical context of venturing financing for social enterprises. According to our "deficit" hypotheses, social enterprises would have a lower chance of being funded by equity investments than conventional businesses, and also less likely to received philanthropic donations than nonprofit organizations.

However, as the "gender" hypotheses suggest, this hybridity-based penalty is moderated by their gender identity so that the donation deficit is smaller for social enterprises founded by all female entrepreneurs but the investment deficit is larger, compared to pure organizations.

We test the "deficit" and "gender" hypotheses in the context of more than 2000 early-stage ventures operating in the US between 2013 and 2017. We focus on the forprofit social enterprises as a specific form of hybrid organizations. Relative to other forms of social enterprises, such as nonprofit ones, forprofit social enterprises face more uncertainty among social audiences due to their dual drive for money and charity (Galaskiewicz & Barringer, 2012; Young, 2012). Since these uncertainty underlies our theory, if it was correct, we should find confirmation from this specific form of social enterprise at its experimental peak. To do so, we compare its likelihood of being funded by equity investors and philanthropic donors with their pure business and charitable organizations, while controlling for their heterogeneity in the relevant dimensions. Forprofit social enterprises are eligible for raising funds from the market separately for equity investment and philanthropic donations (Battilana & Lee, 2014; Lee, 2014; Young, 2012). This offers us a unique opportunity to extend existing studies on heterogeneity among audiences within the single market field to audiences from different fields. Because investors and donors generally have different goals in funding potential targets, these two audiences are likely to consider the gender signals in opposite ways during their evaluation of social enterprises. We expand our contributions to the literature on hybrid organizations, market categorization and the role of gender in entrepreneurship in the discussion section.

THEORY AND HYPOTHESES

Audience Evaluation of Hybrid Organizations

Hybrid organizations involve "activities, structures, processes, and meanings by which organizations make sense of and combine aspects of multiple organizational forms" (Battilana & Lee, 2014). The combination of components from various organizational forms is central to organizational innovation and the creation of new forms (Haveman & Rao, 2006; Padgett & Powell, 2012; Tracey, Phillips, & Jarvis, 2010). For example, a nonprofit organization founded with a social mission may incorporate structures and activities for generating revenue that are more commonly associated with forprofit firms. And forprofit firms aiming to maximize profits can also include social motives. However, unlike traditional forms carrying distinct assumptions about form and purpose, hybrid organizations are ambiguous forms where assumptions are more difficult for social audiences to discern. While many researches document the internal challenges facing hybrid organizations (Battilana & Dorado, 2010; Jay, 2013; Pache & Santos, 2012), there are also external issues to address. Among various external tensions (Battilana & Lee, 2014), we argue that social audiences may play an important role in affecting hybrid organizations.

Audiences struggle to evaluate hybrid organizations because they are unable to draw upon ready-made assumptions in the same manner as traditional forms. Traditional categories bring well-known assumptions for organizations that carry generic structural features that are distinct and recognizable within their respective sector (Billis, 2010; Somerville & McElwee, 2011). Their singularly focused sectoral features limit traditional organizational forms but they may also produce benefits for demonstrating one clear category to audiences. For example, a forprofit firm that is influenced by market forces and characterized as profit-maximizing can be evaluated on the basis of its skills at generating profits. However, this is not the case for hybrid

organizations. When forms deviate from generic structural features, particularly when they combine different traits from multiple forms, audiences are without an evaluation heuristic (Hsu, 2006; Hsu & Hannan, 2005). Given the absence of clear assumptions, it is difficult for audiences to categorize hybrid organizations (Galaskiewicz & Barringer, 2012).

Essentially, the concept of category brings attention to groupings. Categories help explain how audiences are able to make heuristics or mental shortcuts based off of assumptions that can be associated with categories (Hannan, 2010; Kovács & Hannan, 2015). For example, the audiences may use genres to make sense of the plots of movies and compare available offerings (Keuschnigg & Wimmer, 2017). Research suggests that both organizations and audiences rely on categories to signal value and make decisions about the value (Hannan, Pólos, & Carroll, 2007; Navis & Glynn, 2011). Without a clear categorization about hybrid organizations, audiences are likely to dismiss or devalue organizations that span categories (Zuckerman, 1999, 2000; Zuckerman & Rao, 2004).

Social enterprises pursuing both financial and social returns represent an extreme form of hybrid organizations, because it combines both business and charity function into its core (Galaskiewicz & Barringer, 2012). The form of social enterprises poses a new and unique offering facing audiences who do not have existing prototypes in their cognition to reference. Consequently, this difficulty in categorization would lead to the audiences' dilemma in how to evaluate organizations having this new form using the existing performance measures, thus increasing their chance of imposing penalty either via dismissal or devaluation (Hsu, 2006; Hsu et al., 2009). Specifically, for equity investors, they may be concerned with the interference from the venture's social goals in its core profit-making activities. For philanthropic donors, the risk associated with a social enterprise's commitment to the profit-making activities exacerbate the

concern of mission drift common in the nonprofit sector (Jones, 2007; Young, 2012). Therefore, we expect:

Hypothesis 1A: Forprofit social enterprises have a lower chance of receiving equity investment than the pure form of forprofit organizations.

Hypothesis 1B: Forprofit social enterprises have a lower chance of receiving philanthropic donations than the pure form of nonprofit organizations.

Categorization of Hybrid Organizations and the Gender Effect

Categorization of Social Enterprises by Investors and Donors. We expect that the gender identity of forprofit social enterprises may be interpreted distinctly by different audiences during evaluation, because audiences would categorize social enterprises in a way that is consistent with their own goals. Social enterprises seek out financial resources from two major groups of audiences: equity investors and philanthropic donors (Battilana & Lee, 2014; Young, 2012). They are primarily involved in different markets, thus being subject to different institutional logics (Battilana & Dorado, 2010; Eikenberry & Kluver, 2004; Tuckman & Chang, 2006; Weisbrod, 1998; Young & Salamon, 2002). Specifically, investors and donors are different with respect to what they intend to achieve and how they are evaluated by stakeholders.

First, organizations making equity investments, such as venture capitalists, angel investors, and corporate venture capital investors, are primarily organized around the central goal of being able to generate profit surplus that can be distributed back to private owners and shareholders. For example, venture capital firms raise money from investors, known as limited partners, into a fund and aim to use the fund's money to produce maximum returns for their limited partners by investing in promising enterprises (Podolny, 2001). Even though when

venture capital firms use alternative criteria to decide where to invest their fund, such as in the case of investment in social enterprises according to the value preference of limited partners, the goal of creating financial returns remains an important justification for their capital placement (Roundy, Holzhauer, & Dai, 2017). For other types of business organizations in general, if they are making expenditure on matters that are peripheral to their business core (Thompson, 1967), such as cause-related marketing, these expenditures also tend to be rationalized in terms of its contribution to the bottom line (Galaskiewicz & Colman, 2006).

In contrast, philanthropic donations are motivated to create social returns. Some of these donations are based on societal needs, and others are made based on the mission and value aspirations of the donors themselves (Frumkin, 2002). Foundations, for example, usually base their funding decisions on non-financial concerns, such as the need of responding to the government's failure to provide social services to all citizens (Prewitt, 2006) and the creation of social change through policy innovations (Mosley & Galaskiewicz, 2015).

Second, equity investors and philanthropic donors are usually evaluated by a different set of standards. Equity investors are usually evaluated based on their ability to generate financial returns for their limited partners. A venture capitalist fund's ability to produce financial return is key to the maintenance of legitimacy in the eyes of investors, not only because financial returns generated are linked to the portion of proceeds that they earn but also because it determines the cost of raising additional funds from investors in the future (Podolny, 2001; Podolny & Castellucci, 1999). Donors, however, have to align their fundraising and grant-making with the dominant cultural model of philanthropy in order to achieve legitimacy (Barman, 2007). Philanthropic donors are under close monitoring by funding individuals or regulative agencies. They are required to place the entrusted funds in accordance with the demands of their funders,

and this responsibility is formally institutionalized as “fiduciary responsibility” in the relevant legal regulations (Prewitt, 2006).

It is also worth noting that the uncertainty associated with the generation of the aspired level of returns may be higher for donors than investors. Once an investment contract was signed, both entrepreneurs and investors are locked up in the investment deals for an extended period of time before the eventual exit of investors (Cable & Shane, 1997). Venture capitalist, for example, usually work closely with the ventures (Gompers, Gornall, Kaplan, & Strebulaev, 2016), to not only assist the business growth but also monitor the possible deviation of the top management team from their promised commitment to the investors’ interests (Jensen, 1986; Kaplan & Strömberg, 2001). This is rarely the case for donations. Donors are rarely involved in the operation of the recipient organizations as closely as investors in ventures. Despite the recent rise of venture philanthropy featuring investor-like collaboration between donors and donee organizations, there is strong resistance among both conventional donors and nonprofit partners against this new approach (Moody, 2008). Finally, compared to financial returns, social impacts are difficult to quantify (Barman, 2016).

The variation in the organizational goals and performance evaluation between investor and donors may influence how they categorize social enterprises. Specifically, equity investors are more likely to categorize social enterprises as “business” ventures and evaluate them accordingly. Philanthropic donors, in contrast, would categorize and evaluate social enterprises as “charity” organizations. Thus, audiences consider social enterprises as a form of organizations consistent with their prior knowledge of evaluation, resulting in both audiences to rely on their specialized expertise in the evaluation and avoid the costs of exploring new ways of assessing candidates for funding (March, 1991). Furthermore, these specific ways in which they

categorize, and accordingly, evaluate social enterprises are also consistent with the prevailing logics in the market fields where they are primarily embedded (Durand & Thornton, 2018), thus helping to maintain their image of legitimacy in the eyes of their industry peers and other stakeholders (Tolbert & Zucker, 1983). Furthermore, the categorization of social enterprises may interact with their gender identity in moderating the direction and size of the hybridity-based penalty.

The Gender Composition of Founding Teams as Information Cue. The composition of the founding teams of new ventures is an important source of information cues to audiences and is closely linked to its identity (Baron et al., 2001; Navis & Glynn, 2011; Rodrigues & Child, 2008). Founders tend to behave in ways consistent with the identities of the founding teams, instead of individuals, and imprint their self-concepts on the creation of new firms and other entrepreneurial outcomes, such as business model and product strategy (Fauchart & Gruber, 2011). Therefore, audiences of new ventures may pay close attention to the functional experiences and expertise of founders when assessing potential opportunities (Baum & Silverman, 2004; Beckman & Burton, 2008; Eisenhardt & Schoonhoven, 1990).

Distinct from other types of signals, the gender identity of the founding teams is highly visible to audiences during evaluation. Compared to other signals, the cost of accessing and verifying the gender signal is relatively low. Therefore, funders are likely to supplement their evaluation with their consideration of the gender signal under uncertain situations requiring rapid decision making (Huang & Pearce, 2015). More importantly, the social system of gender may orient the perception of audiences on the fitness between founders and their proposed business model and strategy (Dimitriadis et al., 2017). The gender system constructs the social meaning of

being females and males, and attributes them with different level of competency in various tasks and activities (Cejka and Eagly 1999; Ridgeway and Smith-Lovin 1999).

The field of entrepreneurship is also structured and influenced by gender stereotypes. Gendered cultural beliefs associate women with traits such as altruistic, warm-hearted and caregiving. These traits are typically aligned with charitable professions. Gender beliefs of men emphasize traits such as self-interested, territorial, or competitive, and are usually associated with commercial activities. Moreover, female founders of social ventures are more likely than their male counterparts to refrain from using commercial strategies in accomplishing the mission of their organizations (Dimitriadis et al., 2017). Investors are also more likely to be skeptical about, thus devaluing the viability of early-stage ventures founded by female leaders than male ones (Lee & Huang, 2018). The gender stereotypes of the female are incongruent with the cultural image of entrepreneurs, most often associated with masculine features (Gupta & Turban, 2012).

It is, therefore, reasonable to infer that the enactment of gender norms would depend upon the performance expectations and evaluation criteria that a particular group of audiences has about organizations in the corresponding category. Specifically, we expect equity investors to categorize social enterprises as “business”, and to consider the cultural disassociation of female with entrepreneurial activities, thus leading to a lower level of perceived fitness of female founders with entrepreneurial activities. This would exacerbate the hybridity-based penalty of social enterprises:

> *Hypothesis 2A: The equity penalty on forprofit social enterprises due to their hybridity will be larger for those headed by female founders than male ones.*

Philanthropic donors would tend to evaluate social enterprises primarily as a "charity". Since the gender stereotypes link female to characteristics such as warmth (Lee & Huang, 2018) that are congruent with the missions of charity organizations, it is highly plausible that donors would consider female leadership positively during evaluations, thus reducing the hybridity-based penalty. Formally stated:

> *Hypothesis 2B: The donation penalty on forprofit social enterprises due to their hybridity will be smaller for those headed by female founders than male ones.*

METHODS

Data and Sampling

We tested our hypotheses on a sample of more than 2000 early-stage ventures operating in the US market. Data on these ventures were obtained from the database program administered by a research institute at a prominent US-based business school. In partnership with a range of accelerator program managers, this research institute collected data from the applicant ventures. There are no restrictions on the legal form, social motives, financial goals or the sector of operation of participating ventures. To encourage venture participation in the database program, the research institute offers financial rewards to ventures that agreed to report the data. The database include both selected and rejected ventures. To date, this database include data from more than 5000 early-stage ventures and has partnered with more than 80 accelerator programs around the world. Identification information about ventures was removed from the dataset before it was released to the first author upon the agreement to use data for research purpose.

We created our sample by pooling all the ventures during the application year of 2013 to 2017 into a master roster and combine it with data on the founder and venture level. No same

venture appeared in two different years, which technically makes our sample a pooled cross-sectional dataset, instead of panel data. All ventures were at a relatively early phase of development, with an average age about 2 years old across the time periods. Geographically, we furthered restricted our sample to ventures who reported the US as their country of operations, in order to control for possible confounding due to potential unobserved heterogeneity across countries. We choose the country of operation, rather than the country of headquarter, as a restricting condition, because the market settings in the country where the venture operates, such as the industry heat, level of competitiveness, consumer/client preference or regulative environment, are the main sources of uncertainty which plays an important role in affecting decisions of resource allocation of investors (Sorenson & Stuart, 2008). In total, our pooled sample contains 301 ventures operating in the US during the application year of 2013, 536 during 2014, 505 during 2015, 741 during 2016, and 805 during 2017. The pooled sample contains both forprofit (84%) and nonprofit organizations (16%), excluding those ventures whose forms were unidentifiable[1]. A majority of ventures stated the explicit intent of creating social or environmental impacts (90%), and many aim to make profits in addition to covering costs (87%).

The relative abundance of nascent ventures in our sample helps to alleviate the threat of "survival bias", a common threat to the sampling of emerging organizations (Katz & Gartner, 1988). Moreover, the inclusion of both successful and unsuccessful applicants could further remove the selection bias of accelerator programs in the selection process, thus lowering the chance of ventures being selected into our sample based on some known or unknown factors. Also, the presence of both forprofit and nonprofit ventures, along with the information on their

[1] In the original sample, 295 out of 2888 ventures were unidentifiable with respect to their legal forms.

social motives, enables us to identify social enterprises using the method that we elaborated below.

Dependent Variables

The dependent variables are *equity investment* and *philanthropic donation*. Each of these two dependent variables was coded as a binary variable that would equal to 1 if the venture has received that type of funding between its year of founding and the year of application. Specifically, a venture would receive a "1" in *equity investment*, if it has received equity investments from either angel investors, other companies or venture capitalists by the year of its application. For *the philanthropic donation*, we focused on companies, government agencies, foundations or other nonprofits, and coded it as "1" if a venture has received donations from any of these sources by the year of its application.

Independent Variables

Organizational forms. The empirical task of this study is to compare the likelihood of pure and hybrid forms of organizations in acquiring two types of financial resources: equity investment and donation. Following the approach of (Galaskiewicz & Barringer, 2012), we drew upon the niche theory and classified the forms of the ventures in our sample based on their location in the niche space spanned by two dimensions (Pólos, Hannan, & Carroll, 2002). First, *what is the legal form of a venture: forprofit or nonprofit?* This niche dimension aims to indicate the primary mode of exchange of organizational forms, that is, the primary source of revenue. Forprofit organizations rely on commercial revenue, and nonprofits depend on the donated income. Second, *does the venture have explicit intent to create social and environmental impacts?* This niche dimension captures the variation in the type of beneficiaries of each form of organizations. While the primary goal of forprofit businesses is to generate financial returns to

agents, owners or shareholders, many nonprofit organizations have the explicit mission to create social impact. Therefore, based on these two dimensions, four mutually exclusive yet collectively exhaustive categories were identified, as is shown in Figure 1.

--- Insert Figure 1 here ---

On the upper left corner is the "*pure forprofit*" organizations that are incorporated as nonprofits and explicitly pursue the mission of creating social impact (Frumkin, 2002). On the bottom left corner is what (Galaskiewicz & Barringer, 2012) called "*forprofit in disguise*", that is, nonprofit organizations relying primarily on donated income or gifts but producing only private, instead of public, benefits. One example of the "*forprofit in disguise*" in the nonprofit sector would be donations to some universities in exchange for "legacy admission" or universities who pay exorbitant compensations to administrators and staff (Galaskiewicz & Barringer, 2012). On the bottom left corner is "*pure nonprofits*" organizations whose primary goal is to generate profit surplus, regardless of concerns for social responsibility or environmental impacts (Friedman, 1970). The last category, at the upper right corner, is what we defined to be a forprofit "*social enterprise*" in this study, a bsuiness venture with an explicit intent of creating social and environmental impacts (Battilana & Lee, 2014).

Thus, the coefficient estimates associated with the focal variable "*social enterprise*" would indicate whether the magnitude and direction of the differences are the same as our hypothesis 1A and 1B. The moderation effects of gender, which we hypothesized in 2A and 2B, were tested through the inclusion of an interaction term of our gender variable with the focal independent variable.

Given the lack of consensus on how to define social enterprises[2], this niche-based approach has the attraction of being consistent with a widely tested ecological model that could explain the multivariate distribution of social actors in a niche space with correlated dimensions (Blau, 1977). The potential competition between pure and hybrid forms of organizations is also incorporated into the same ecological model through the linkage of the position that an organizational form occupies and the level of competition it faces (McPherson, 1983). Moreover, since the niche of an organizational form also has strong implications for its evaluation among audiences (Hsu, 2006; Hsu & Hannan, 2005), the mapping of pure and hybrid organizations based on the niche dimensions of legal form and social motives is appropriate for the empirical test on how external resource holders assess the viability of competing organizational forms.

Gender composition of founding teams. We coded the gender composition of the founding teams as a binary variable, *"all female founders"*. Ventures are asked to report the basic demographics for their three major founders. Using the information on their gender, we code *"all female founders"* to be "1" when all of the three founders are female, and "0" if there are one at least one male founders. Since we have no information on the leadership structure within the founding teams of our sampled ventures, coding the gender composition as a binary form gives us a conservative estimate on the gender effect.

Control Variables

We included several potential predictors of funding outcomes in our models, in order to isolate the effect of being a social enterprise. To begin with, we controlled for the demographics of the ventures and their founding teams. "*Organizational age"* was coded as the difference

[2] see Dacin, Dacin, and Matear (2010) for a review of 37 definitions on social enterprises. The lack of consensus on how to define and identify social enterprises is also discussed in Dacin, Dacin, Tracy (2011), Mair and Martí (2006), and Short, Moss, Lumpkin (2009).

between the data year and the year when the venture was founded[3]. The size of employees is also an important indicator of the stage of maturity for new ventures, we coded the number of full-time employees excluding founders working for the venture by the end of last year was also included as the variable, "*number of fulltime employees*", in order to capture the potential preference among investors and donors for ventures at various stages (Gompers et al., 2016; Podolny, 2001)[4]. We transformed these two variables using their natural logs to account for skewed distribution, and we added a small fraction (0.001) to the original variables to ensure they are positive so that their natural logs are defined.

The success of new ventures in securing financial resources may also be critically dependent upon the social capital available to the founders and their organizations, especially within their local communities (Kwon, Heflin, & Ruef, 2013). Specifically, social relationship directs the flow of resources (Galaskiewicz & Wasserman, 1989). Since social interactions are often bounded by geographical boundaries, spatial proximity often promotes the formation of localized social exchanges, thus producing place-based social capital (Sorenson & Stuart, 2001; Whittington, Owen-Smith, & Powell, 2009). Although we do not have direct data on the network ties of the entrepreneurs in our sample, we created two proxies to capture the varying level of social capital among ventures and their founding teams.

[3] Some ventures (n=26) reported their founding years even earlier than the 1st percentile (i.e. 2000) of the whole sample, thus having large scores for the variable "organizational age". We have tried treating these cases as outliers and imposed the constraint so that their scores for this variable would be coded as missing. The results remain substantially similar compared to our original analysis. In the paper, we presented the results when no constraint was imposed.

[4] We have observed some ventures (n=28) whose full-time employees during the last year are even more than the 99 percentile (i.e. 11) of the whole sample. To check the potential influences of these cases on our results, we have tried coding their scores for this variable as missing. The results remain substantially similar compared to our original results. In the paper, we presented the original results when no constraint was imposed.

First, we created a variable "*US Born"*, to control for the level of social embeddedness of founders due to their birth in the country of operation. Ventures are found to have more access to local resources and better financial performance when located in the birth regions of their founders (Dahl & Sorenson, 2012). This variable would be coded as the percentage of founders who were born in the country of operation, namely the US, among the three founders whose information are available.

Second, since the level of social capital may also be unequally distributed within the formal hierarchy of organizations, founders who used to take leadership positions in their past employment may have more frequent and expansive contacts with potential funders than those in the roles of supporting staff. For example, it is usually the ties between CEOs and venture capitalists that are able to have significant effects on investment selection and process decisions, such as contractual covenants and venture valuation (Batjargal & Liu, 2004). Therefore, we created a venture-level measure, "*leadership experience"*, to measure the percentage of founders in the founding team of a venture, who took leadership positions including CEO, executive director, and senior managers during their two most recent paid full-time jobs.

In addition to social capital, the working experiences of founders in the private, nonprofit and governmental sector may also influence the likelihood of ventures being funded. When investors and donors are evaluating potential ventures, the professional experience of founders in a particular sector is an important identity claim of which audiences will try to make sense in order to determine the plausibility of proposed ventures (Navis & Glynn, 2011). Within organizations, founders may also imprint their own understanding about what makes certain activities appropriate obtained from their past sector experience onto the creation and management of new ventures (Fauchart & Gruber, 2011). This seems to especially be the case

for social enterprises (Battilana & Dorado, 2010). We, therefore, created the variable "*forprofit experience".* As a venture-level dummy, it was coded as "1" when the founders of a venture have more working experiences in the business sector than the nonprofit and government sector combined, during their two most recent paid full-time jobs.

Investors and donors may also interpret founders' professional experience in the forprofit sector in opposite directions. While the business experience of founders in the social enterprises may signal their commitment to the generation of profit surplus or, at least, to financial sustainability, donors may associate more forprofit experience of the founding teams with an increased risk of mission drift (Jones, 2007; Young, 2012). Thus, we also interacted this variable with our focal independent variable, *"social enterprise"*, to account for the potential moderation effect of the working experience in the business sector on the gap between social enterprises and pure forms of counterparts in the likelihood of being funded.

We also controlled several factors that may determine the baseline level of probability of a venture being funded. First, the sector in which a venture aims to create impacts, financial or social, may decide how generally it is going to be evaluated by potential funders, because funders, especially investors, may be biased away from the social problems that are not amenable to commercialized strategies (Dees, 1998) and drawn towards a heated industry that has attracted much attention from other investors than those in less popular ones (Sorenson & Stuart, 2008). During each data year, we calculate two variables, "*sector heat among investors"* and *"sector heat among donors"*, indicating the percentage of ventures in that sector who received equity investments and philanthropic donations, respectively. These sector-level measures range from 0 to 1, with higher values indicating more popularity among the two types of funders.

Second, we included the binary variable *"prior accelerator"* to account for the impact of ventures' previous participation into accelerator programs on their funding success (Cohen, Bingham, & Hallen, 2018). Third, we created the variable *"online presence"* to control for the possible effect that the online presence of the ventures may increase their visibility within the community of potential funders. A venture having its own website, Facebook page, Twitter page or LinkedIn page would receive "1" on this variable. Finally, we accounted for the general preference among funders, especially investors, with invention-based ventures (Pontikes, 2012), using the created variable *"invention based"* coded as 1 if the venture owns its own patents, copyrights or trademarks.

Analytical Strategy

Our models with the binary dependent variables can be estimated using logistic regressions. However, this introduces two new problems. First, the rarity of positive outcomes, namely the small number of funding successes relative to a large number of funding failures, can yield biased maximum likelihood estimates (King & Zeng, 2001). In our sample, the success rate for equity investment among the sampled ventures is 16%, 4% for debt investment and 18% for donation, while the majority of cases are failures. Under such situation, the maximum likelihood estimator may underestimate the probability of positive outcome and overestimate the probability of negative outcome, leading to biased estimates (King and Zeng 2001). It should be noted that the logistic model itself can still be used for rare events. It is the maximum likelihood estimation that would likely suffer from this small sample bias.

The second problem deals with a particular pattern of data for which the dependent variable does not vary within one category of an independent variable, a phenomenon known as "perfect prediction" in the literature of maximum likelihood (Long, 1997; Long & Freese, 2014).

In other words, under the situation of perfect prediction, the success and failure of an outcome can be perfectly separated by a single independent variable or a linear combination of independent variables, leading the maximum likelihood estimate for the variable to be infinite and thus extremely inaccurate (Heinze & Schemper, 2002). In our case, for example, the binary dependent variable for equity investment is always 1, when the independent dummy variable indicating a venture being a forprofit-in-disguise is 0. The default solution is to drop the problematic independent variable. But this is not feasible in our case because the dropped variables in our models happen to be the independent variables of our interests.

To solve these two problems simultaneously, we estimate our logistic models using a penalized maximum likelihood estimator, a corrective procedure initially developed by Firth (1993) to remove the small sample bias of conventional maximum likelihood estimator. Essentially, this procedure regularizes the conventional ML likelihood function by imposing a penalty term:

$$Log\ L(\beta)^* = Log\ L(\beta) + Log\ |I(\beta)|^{1/2}$$

, where β is the vector for regression parameters, $L(\beta)^*$ is the penalized likelihood function, $L(\beta)$ is the conventional likelihood function, and $I(\beta)$ is the Fisher information matrix evaluated at β. As Firth (1993) has proved, the penalty term, $Log|I(\beta)|^{1/2}$, has negligible influence on the likelihood function and the ensuing process of estimation in large samples but can remove the bias of ML estimator when the sample size is small. Heinze and Schemper (2002) have further proved that the same Firth ML estimates can also be obtained by splitting each original observation into two new observations having a weighted outcome of success and failure, thus not only removing ML bias but also solving the problem of perfect prediction (Heinze, 2006).

Compared to other solutions that may also solve the small sample bias and perfect prediction simultaneously (e.g. exact logistic regression), the penalized maximum likelihood logistic regression is also computationally efficient, while being capable of producing finite and consistent estimates (Allison, 2012). Our baseline models are specified as:

$$Logit\ (\ P(y = 1|x)\ ) = \beta_0 + \sum_{k=1}^{k=3} \beta_k\, x_k + \sum_{k=1}^{k=c} \beta_c\, x_c$$

where β_0 is the model intercept, and β_k is the coefficient parameter for x_k, x_k being one of the three independent dummy variable indicating venture forms while leaving the fourth one out as the reference category. x_c are controls whose effects on logit on the left-hand side of the equation are represented by β_c. The error is conventionally assumed to be logistically distributed with its conditional expectation equal to 0 and variance approximately equal to 3.29. We also included fixed effects for the data year to account for the unobservable yearly factors influencing the general level of equity investment or donation placed in that year. We estimated models for equity investments and philanthropic donations separately. The estimation was executed in Stata 13 using the FIRTHLOGIT module written by Coveney (2015).

Table 1 presents the summary statistics for all the variables in all of the models. We also checked the multicollinearity among covariates in the model for the equity investment and philanthropic donations by estimating their variance inflation factors (VIFs). All of the VIF values are less than 10, and the mean VIF for equity model is 2.34 and 2.17 for the donation model, indicates no concerns for multicollinearity (Belsley, Kuh, & Welsch, 1980; O'brien, 2007).

--- Insert Table 1 here ---

RESULTS

Table 2 and 3 reports regression coefficients from the models estimating the likelihood of social enterprises to obtain equity investment relative to pure forprofit organizations and philanthropic donations relative to pure nonprofit organizations. In each table, we present the results associated with our hypotheses in order.

--- Insert Table 2 here ---

In Table 2 for equity investment, the reference category is "pure forprofits". Model 1 and 2 are baseline models containing only independent variables and control variables. Model 3 tests Hypothesis 1A that forprofit social enterprises have a lower chance of obtaining equity investment than pure forprofits. Although the sign of the coefficient associated with "*social enterprises*" is negative, as expected, it is not statistically significant (beta= -0.335, *p-value* = 0.138), thus lending no support to our Hypothesis 1A. This pattern of result remains in Model 4-6 where we added the interaction effects of gender and experience. Substantively, these result shows no statistically significant penalty for being a forprofit social enterprise relative to pure forms of forprofit organizations, in terms of the chance of obtaining equity investments from angel investors, companies, and venture capitalists. These investors are not less likely to invest in social enterprises than conventional business ventures. Given that we coded a "*social enterprise*" as a forprofit venture with explicit social motives and a "*pure forprofit*" as a forprofit venture without social motives, this result also means that businesses striving to do well are not punished by equity investors for their intention to do good.

--- Insert Table 3 here ---

In Table 3 for philanthropic donations, the reference category is “pure nonprofits”. Hypothesis 1B stated that forprofit social enterprises have a lower chance of receiving philanthropic donations than the pure form of nonprofit organizations. The sign of the coefficient associated with “*social enterprises*” is negative, and it is highly statistically significant (beta= -2.468, =*p-value* = 0.000) in Model 3. Results from Model 4-6 where interaction effects of gender and experience were considered stay almost the same. Thus, our hypothesis 1B is supported. Results confirm that forprofit social enterprises suffer from a penalty due to their hybridity relative to the conventional form of nonprofit organizations, in terms of their chance of receiving philanthropic donations from corporations, government agencies, foundations, and other nonprofit organizations. These donors are less likely to donate to forprofit social enterprises than to traditional nonprofit organizations. Despite its explicit intention to provide social goods and glamor as a new tool for social innovation in the eyes of advocates, forprofit social enterprises are less preferred by donors than traditional nonprofit organizations, which may be related to the enduring public concern for potential “market failure” (Hansmann, 1980).

We now move on to the test of our hypothesized interaction effect of gender. The interpretation of the coefficients associated with the interaction terms in our logistic models are not analogous to linear models. Common tests of group comparison based on a single coefficient of the interaction term, such as Wald or LR test, are invalid for logit estimates, because logit models are only identified relative to the unobserved variance in the outcome, which is mostly likely to vary by comparison groups (Allison, 1999; Long & Mustillo, 2018). Therefore, we use predicted probabilities, which are unaffected by residual variance, to interpret the group-specific change. We used MARGINS command in Stata 13 to calculate the change on the predicted probabilities of getting funded by investors and donors between forprofit social enteprises and

reference categories, and compared the differences on this change among female- and male-led ventures. We relied on the delta method to examine the statistical significance of group comparison (Long, 2009; Long & Mustillo, 2018). To assist the interpretation, we report the change of predicted probabilities for being a forprofit social enterprise relative to its reference category when it was headed by female-only and mixed-gender founders.

--- *Insert Figure 2 here* ---

Hypothesis 2A stated that the equity penalty will be larger for social enterprises headed by female-only founding teams than the ones where male founders are also present. The coefficients associated with the interaction term between "*social enterprises*" and "*all female founders*" in Model 4 and 6 of Table 2 are negative, but does not achieve the statistical significance. In terms of model fit, the BIC of Model 4 is 6.33 smaller than Model 6 (=1794.809-1801.143), thus providing strong support for Model 4 (Raftery, 1995). Thus, we base our interpretation on the logit estimates from Model 4. Figure 2 reports the predicted probabilities of getting equity investment by organizational form and the gender composition of founding teams. As can be seen, although forprofit social enterprises have lower predicted probabilities of being invested than pure businesses, the difference in the predicted probabilities becomes larger among ventures with female-only founding teams than mixed-gender ones (*diff* = 0.03 = (0.21-0.14) - (0.21-0.17)). However, this difference is not statistically significant (*p-value* = 0.39). Thus, our hypothesis 2A is not supported. The gender composition of founding teams has no effect on the equity penalty of social enterprises.

--- *Insert Figure 3 here* ---

Hypothesis 2B proposed that the donation penalty will be smaller for forprofit social enterprises headed by female-only founding teams than mixed-gender ones. The positive and significant coefficients from Model 4 and 6 in Table 3 provide preliminary support for Hypothesis 2B. The difference on the BIC of these two models is 4.09 (=1476.231-1480.319), slightly favoring Model 4. Focusing on this better-fitting model, on the scale of predicted probabilities, as shown in the Figure 3, the disadvantage of forprofit social enterprises compared to nonprofits in getting donations is statistically significantly alleviated if founding teams are all female instead of mixed-gender (*diff* = 0.13 = (0.45-0.11) – (0.34-0.13), *p-value* = 0.003). Thus, Hypothesis 2B is confirmed. Although forprofit social enterprises is less preferred by donors than traditional nonprofits, having female founders helps to ameliorate the funding prospect for the former.

Finally, we observe that the sign and significance of the control variables are relatively stable across all models. Organizational age and the number of employees of ventures are positively and significantly correlated with its chance of being funded by equity investors and philanthropic donors, which is consistent with existing evidence on the liability of newness (Stinchcombe, 1965). Founders' prior working experience in the forprofit sector, as expected, have significant but opposite effect on funders' evaluation: it is endorsed by equity investors but deemed problematic by donors, thus supporting the view that these two audience groups are operating under different logics (Battilana & Dorado, 2010). Leadership experience of founders is positively and significantly correlated with the chance of the venture to receive equity investment but has no effect on donations. Although all-female founding teams lower the chance of getting both equity investment and philanthropic donations, the effects are only significant for donations when gender interaction terms were also included. This suggests that the gender

identity of founders may not have an independent effect on audience evaluation, but rather interact with the organizational forms in shaping the evaluation outcomes indirectly as a signal. In other words, the evaluation on whether an organizational form is appropriate for a social cause may also be a gendered process. In addition, both equity investors and philanthropic donors prefer ventures that have previously been accelerated (Cohen et al., 2018), are invention-based (Pontikes, 2012) and have an online presence. A native-born founder has no effect on either equity or donation, although the sign is what we expected. Lastly, similar to Sorenson and Stuart (2008), we find that both investors and donors tend to buffer the uncertainty in the funding process by allocating funds to the fashionable sector, perhaps in order to seize time-sensitive opportunities (Freeman, 1999).

ROBUSTNESS CHECK

To check the robustness of our results, we included additional controls to account for the potential influence of the size of founding teams, demographics of founders including their age and educational level, their professional experience including the average years of prior employment, whether they have worked in the US, and the percentage of founders having leadership experience[5], and our results on the main hypotheses were unchanged. Furthermore, since each venture were asked to report the impact areas that they targeted, it could be that the investment and donation penalty on forprofit social enterprises relative to conventional businesses and nonprofits were due to a wider range of impact goals indicating poor focus, rather than their hybrid organizational form, which also implies that the gender signal would be

[5] The survey only asked respondents to report these information on their three most important founders. For questions on their professional experiences, two most recent paid full-time jobs held by each of the above founders prior to joining the current venture were reported. Leadership experiences include CEO, executive director and positions of senior management.

irrelevant. We tested this confounding claim by including two indicators on whether ventures target social and environmental impact areas. The results on our hypotheses were robust. Moreover, we controlled for the effects of organizational age, financial goal and whether the ventures have produced any revenue. The main results stayed the same in spite of the heterogeneity in the maturity of organizations in the sample. Also, we found that the use of impact measures, such as IRIS and GIIRS, did not have any effect on the investment and donation penalty on forprofit social enterprises. Finally, we checked the sensitivity of our results to the estimation model. We used the dollar amount of investment and donation received as the dependent variable and replicated our analysis using the Tobit model to account for the left censoring because many organizations in the sample reported zero amount of funding. The results on the confirmation of main hypotheses were consistent with the Firth logit. In general, the results were robust to these model modifications.

DISCUSSION

We answer two interrelated questions in this paper. First, how would different audiences evaluate hybrid organizations? Second, how would different audiences react to information cues, such as the gender identity of the organizations under evaluation? While scholars examine the internal tension in hybrid organizations due to institutional complexity (Battilana & Dorado, 2010; Jay, 2013; Pache & Santos, 2012; Smith & Besharov, 2017), scholars have only speculated that hybrid organizations would also meet severe challenges from external audiences (Battilana & Lee, 2014). Our finding supports but also challenges this specialization. We show that to understand external challenges facing hybrid organizations, we need to examine the heterogeneity among different audiences. Equity investors and philanthropic donors diverge in their evaluation of social enterprises. We find that donors penalize social enterprises relative to

nonprofit organizations, while investors do not appear to dismiss or devalue social enterprises as compared to conventional forms of business ventures.

We contribute to the literature on hybrid organizations by providing empirical evidence on the external challenges facing social enterprises. The rarity of empirical studies on this topic certainly has to do the paucity of systemic data (Young 2012). But it may also result from the lack of consensus among scholars on how to conceptually identify organizations of this new form (Dacin, Dacin, & Tracey, 2011; Mair & Martí, 2006; Short, Moss, & Lumpkin, 2009). In this study, we adapted the niche-based approach to distinguish different organizational forms (Galaskiewicz & Barringer, 2012; Hannan & Freeman, 1986; McPherson, 1983; Pólos et al., 2002), and demonstrate its application that could help to uncover the meaningful variation in the important outcomes, thus contributing to the empirical research on social enterprises (Anderson & Dees, 2006).

Theoretically, the differential likelihood of investors and donors to fund social enterprises has important implications on the long-term form stability of hybrid organizations. The activities of socially-missioned organizations may be particularly responsive to the changes in their resource environment (Koch, Galaskiewicz, & Pierson, 2015). Given the instability inherent in the forms of social enterprises, would this pattern of funding, suggested by our result, pull social enterprises towards the form of businesses or nonprofits (Young 2012)? From the supply-side perspectives of social entrepreneurship (Child, Witesman, & Braudt, 2015; Young, 1983), how would the differential likelihood of getting funded by investors and donors affect the appeal of social enterprises as an organizational tool of solving social problems, compared to conventional forms? These questions deserve attention in future studies, because social enterprises often

trigger concerns of "mission drift" among audiences, where environmental forces induce changes in their direction and commitment (Jones, 2007).

We also contribute to the category literature. The null finding on the hybridity-based penalty by investors of social enterprises challenges the classical assertion of the categorical imperative. It begs the question: what drives investors to fund social enterprises, in spite of their categorical impurity? Based on previous literature, we offer two speculations. First, instead of simply avoiding hybrid organizations, investors may seek out candidates defying conventional categories capable of changing the classification system in the market. To such investors, ambiguous social enterprises offer fewer constraints and rules than conventional forprofit or nonprofit organizations, thus more flexibility in cultivating new market opportunities (Pontike 2012). Second, investors may ignore the characteristics of product offerings and instead focus on the organizations themselves (Negro et al. 2010). These two characteristics are distinct from each other (Baron, 2004). Organizations may diversify by acquiring subunits from different economic sectors, but the services and goods they produced can be highly conventional (Phillips, Turco, & Zuckerman, 2013). This explanation suggests that ambiguous organizations may be robust enough to appeal to different audiences (Padgett & Ansell, 1993). This identity may help to create and sustain a special niche in the resource space that is partitioned based on organizational forms (Carroll & Swaminathan, 2000). Together, these two possible explanations converge in their implication that audiences have different goals in using categories to select exchange partners.

By developing a more nuanced theory of how different audiences react to the same information cues during evaluation, we highlight how audiences' goals may influence their categorization of hybrid organizations, which interacts with their interpretation of these

information cues in shaping the evaluation outcome. While much prior work tends to study categorization as a cognitive process (Hannan, 2010; Hannan et al., 2007; Kovács & Hannan, 2015), scholars have recently called for efforts among scholars to study categorization as a social process rather solely on cognitive basis (Durand et al., 2017; Durand & Thornton, 2018; Zuckerman, 2017). Our paper provides an initial investigation into how audiences' goals interact with the gender identity of organizations and shape the evaluation outcome. We find that the interpretation of the gender composition of the founding teams varies by audience types. While the evaluation of investors is not conditional upon this information, donors consider the female founders positively, thus reducing their penalty on social enterprises and relaxing the strength of the categorical imperative. This finding extends the current literature focusing on heterogeneous audiences within one single field (Pontikes, 2012) to the more common situation where organizations hybridizing categories must appeal to audiences in multiple fields.

Our theory may also potentially contribute to the recent efforts among scholars to integrate institutional logics and market categorization (Durand et al., 2017; Durand & Thornton, 2018). When audiences have options to categorize exchange partners in one way or another, their categorization, as we suggest, tend to be consistent with their own organizational goals that are contextualized by the prevailing logics in their own institutional fields (Friedland & Alford, 1991; Thornton, Ocasio, & Lounsbury, 2012). Therefore, the determination of values from potential transactions may not simply be a function of factors endogenous to audiences such as the cognitive schema or their preferences. Exogenous factors related to the shared practice and accepted norms in the institutional fields can also shape audiences' choice of exchange partners, particularly through how they categorize potential partners and incorporate additional information about these opportunities during evaluation. Therefore, to fully understand how

institutional logics contextualize categorization, it is critical for scholars to analyze how the institutional embeddedness of audiences shapes the categorization process in the future.

Finally, we reveal the signaling effect of gender on audience evaluation, by focusing on the gender structure of the founding team as a whole rather than individual founders (Yang & Aldrich, 2014). The recent literature on gender and entrepreneurship in the social sector has shown that gender may not only affect the access of female to the commercialized strategy (Dimitriadis et al., 2017) but also the evaluations of female-led organizations by stakeholders (Gupta and Turban 2012). While most of these studies demonstrate the female disadvantage, our result indicates an advantage of being female entrepreneurs under certain conditions. This finding is consistent with recent studies examining conditions under which the gender disparity may be mitigated, such as when the new ventures are aiming at social impacts (Lee & Huang, 2018) and the social context of communities where the use of commercialized strategies is common among female leaders (Dimitriadis et al., 2017). Our study shows that the enactment of gender norms is contingent upon the social process of categorization, thus highlighting a new social context where the enactment of the gender norm may vary (Martin, 2004; Ridgeway & Correll, 2004).

As with any study, our paper also has limitations. We do not know the extent to which the social networks of funders, including equity investors and philanthropic donors, may influence the evaluation outcomes. Prior research suggests that funders often turn to their own networks for behavioral guidance on capital allocation, especially when the organizations being evaluated serve social purposes (Galaskiewicz & Wasserman, 1989). Due to the anonymity of our data, we are not able to collect network information on the investors and donors in the sample. Although we included several proxies to control for the variation in the level of social

capital on the entrepreneur's side, we are not able to test how funders' network properties, such as positional centrality or brokerage, might influence their decisions to fund social enterprises. We believe that this is one interesting direction that future research could take.

In addition, although we theorized about how the effect of gender cues on the evaluation outcome varies between audiences with different goals, our model contains no characteristics of these funders. Lacking such data, we ran two separate regression models on investors and donors for theory testing. However, we are not able to discern the specific effect of funders' characteristics on these processes. In fact, investing or donating to an organization creates a market tie, and the formation of these ties depends on both senders and receivers (Sorenson & Stuart, 2008). A complete understanding on how funders evaluate hybrid organizations requires scholars to consider not only the effects of individualistic characteristics of both audiences and organizations, but also the features associated with the dyads, such as geospatial distance (Whittington et al., 2009). Researchers may find the choice model (McFadden, 1973, 1980) a useful analytical tool for answering these questions in the future (Powell et al., 2005).

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Figure 1

Classification of Venture Forms Based on Two Niche Dimensions (i.e. legal form on the X-axis and explicit social motive on the Y-axis).

Note: Adapted from Galaskiewicz and Barringer (2012).

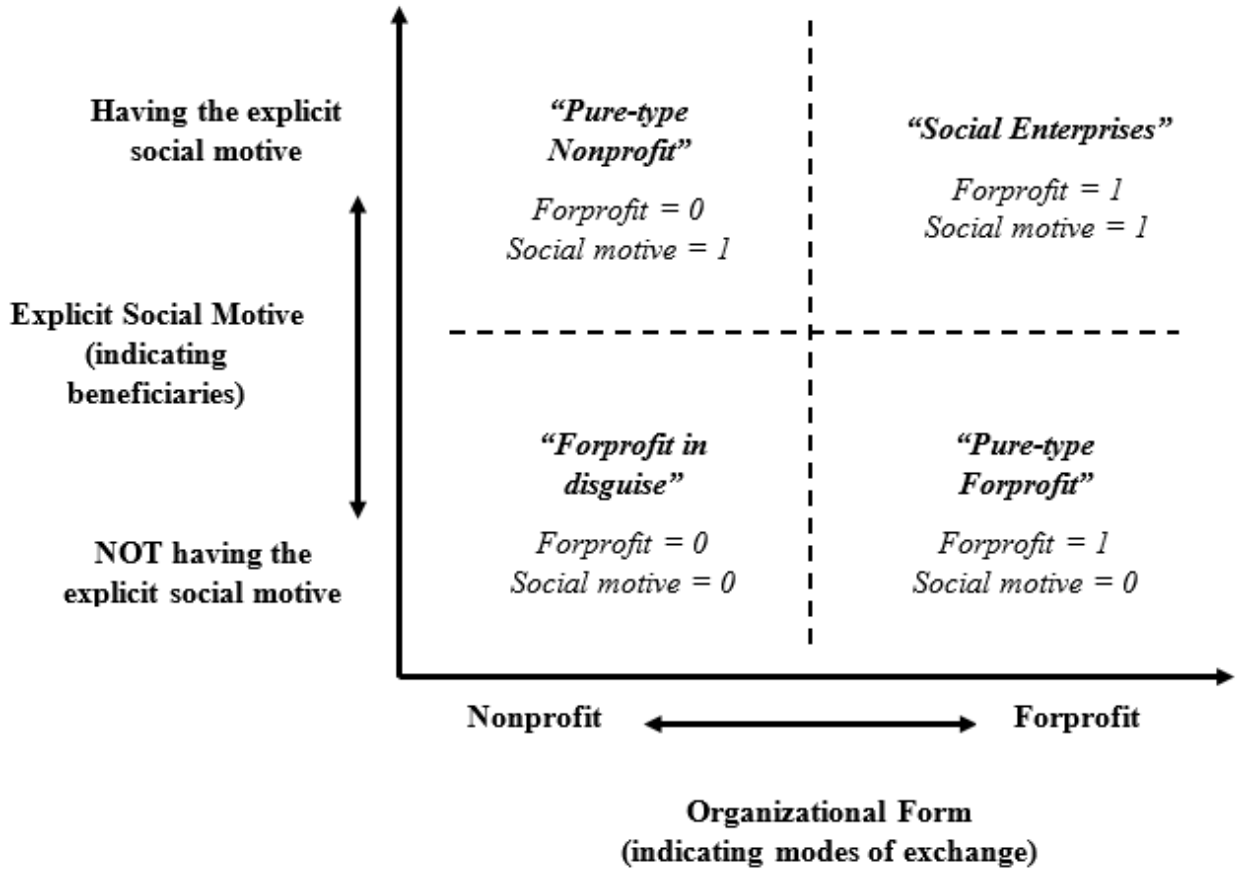

Figure 2

Comparison on the Predicted Probabilities to Receive Investment by Organizational Form and Gender Composition of Founding Team

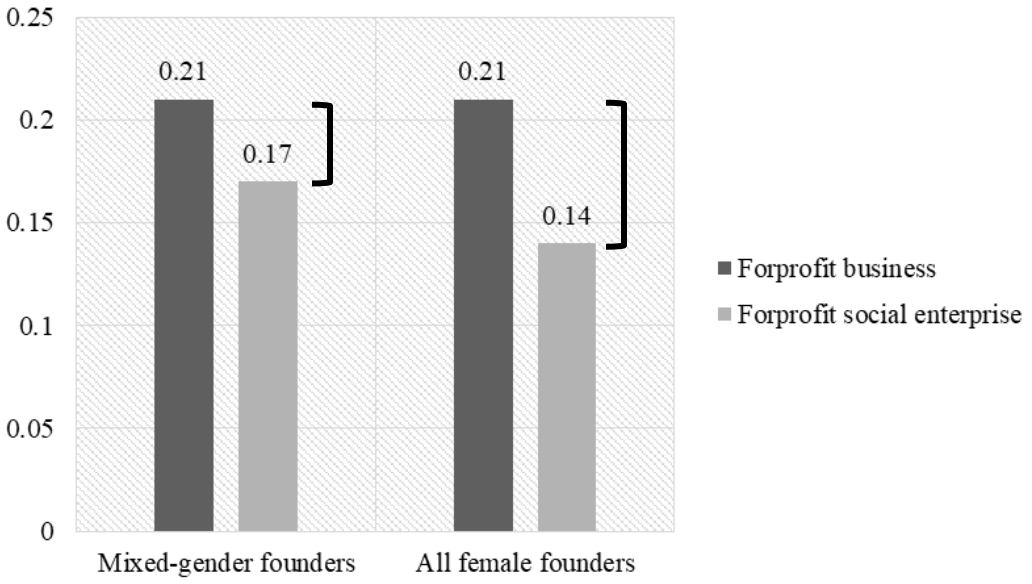

Figure 3

Comparison on the Predicted Probabilities to Receive Donation by Organizational Form and Gender Composition of Founding Team

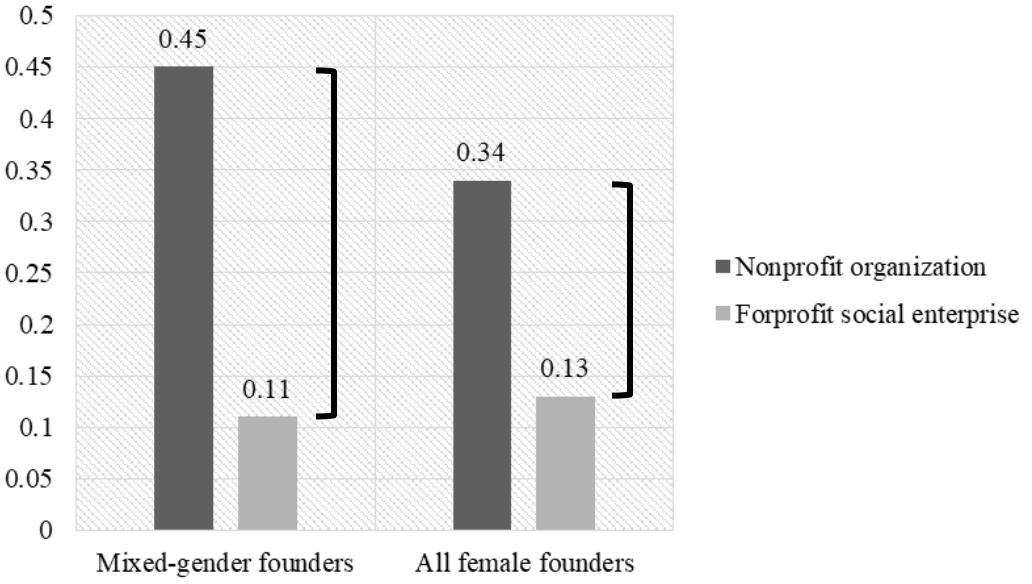

Table 1

Summary Statistics for Variables in All Models

Variables	Mean	Variance	Min	Max
Dependent Variables				
Equity investment	0.1654351	0.1381231	0	1
Philanthropic donation	0.159688	0.1342429	0	1
Independent Variables				
Pure forprofits	0.0747126	0.0691591	0	1
Pure nonprofits	0.1539409	0.1302966	0	1
Forprofit in disguise	0.0041051	0.0040899	0	1
Social enterprises	0.7672414	0.1786554	0	1
All female founders	0.1674877	0.1394928	0	1
Control Variables				
Forprofit experience	0.6683087	0.2217632	0	1
Leadership experience	0.4358511	0.1494141	0	1
Organizational age (logged)	-0.844439	9.588967	-6.90776	4.174403
Number of fulltime employees (last year; logged)	-3.867584	14.43317	-6.90776	3.871222
US Born	0.7679256	0.1334111	0	1
Prior accelerator	0.3189655	0.2173157	0	1
Invention based	0.4667488	0.2489966	0	1
Online presence	0.907225	0.0842024	0	1
Sector heat among investors	0.1534439	0.0078929	0	1
Sector heat among donors	0.1563178	0.0193633	0	0.636364
Interactions				
Social enterprise × All female founders	0.1133005	0.1005047	0	1
Social enterprise × Forprofit experience	0.5533662	0.2472536	0	1

Table 2

Estimated Coefficients from Penalized ML Logistic Regression Models of Equity Investment

	Equity-1 (IVs only)	Equity-2 (Controls only)	Equity-3 (Full)	Equity-4 (Gender Interaction)	Equity-5 (Experience Interaction)	Equity-6 (Both Interactions)
Social enterprises ***(Hypothesis 1A)***	0.206		-0.335	-0.334	-0.475	-0.474
	(0.20)		(0.23)	(0.23)	(0.46)	(0.46)
Forprofit in disguise	-2.543		-0.538	-0.619	-0.582	-0.672
	(1.44)		(1.51)	(1.56)	(1.51)	(1.58)
Pure nonprofits	-3.387***		-3.362***	-3.361***	-3.381***	-3.377***
	(0.66)		(0.68)	(0.70)	(0.69)	(0.71)
Social enterprise × All female founders ***(Hypothesis 2A)***				-0.312		-0.299
				(0.94)		(0.94)
Social enterprise × Forprofit experience					0.165	0.164
					(0.51)	(0.51)
Organizational age (logged)		0.082**	0.093***	0.093***	0.093***	0.093***
		(0.03)	(0.03)	(0.03)	(0.03)	(0.03)
Forprofit experience		0.826***	0.672***	0.672***	0.520	0.521
		(0.15)	(0.16)	(0.16)	(0.48)	(0.48)
Leadership experience		0.397*	0.395*	0.395*	0.395*	0.395*
		(0.16)	(0.16)	(0.16)	(0.16)	(0.16)
All female founders		-0.435*	-0.311	-0.001	-0.310	-0.012
		(0.19)	(0.20)	(0.92)	(0.20)	(0.92)
Prior accelerator		0.658***	0.643***	0.643***	0.641***	0.642***
		(0.12)	(0.13)	(0.13)	(0.13)	(0.13)
Invention based		0.548***	0.400**	0.400**	0.399**	0.400**
		(0.12)	(0.13)	(0.13)	(0.13)	(0.13)
Online presence		0.849**	0.920**	0.919**	0.921**	0.920**
		(0.32)	(0.35)	(0.35)	(0.35)	(0.35)
Number of fulltime employees (logged)		0.133***	0.135***	0.135***	0.135***	0.135***
		(0.02)	(0.02)	(0.02)	(0.02)	(0.02)
US Born		-0.097	0.066	0.066	0.066	0.066
		(0.16)	(0.16)	(0.16)	(0.16)	(0.16)

Sector heat among investors		6.182*** (0.64)	5.334*** (0.67)	5.332*** (0.67)	5.333*** (0.67)	5.332*** (0.67)
Constant	-1.864*** (0.28)	-4.340*** (0.44)	-3.620*** (0.52)	-3.619*** (0.52)	-3.490*** (0.62)	-3.490*** (0.62)
Year fixed effects	Yes	Yes	Yes	Yes	Yes	Yes
Model df	7	14	17	18	18	19
Penalized Log-Likelihood	-1044.566	-902.032	-823.382	-823.322	-822.655	-822.590
BIC	2151.829	1922.451	1787.129	1794.809	1793.474	1801.143
AIC	2105.132	1834.064	1682.763	1684.644	1683.31	1685.181
N (ventures)	2533	2677	2436	2436	2436	2436

Note: Standard errors are in parentheses. Reference category is the pure form of forprofit organizations.
*Two-tailed test: * p<0.05 ** p<0.01 *** p<0.001*

Table 3

Estimated Coefficients from Penalized ML Logistic Regression Models of Philanthropic Donation

	Donation-1 (IVs only)	Donation-2 (Controls only)	Donation-3 (Full)	Donation-4 (Gender Interaction)	Donation-5 (Experience Interaction)	Donation-6 (Both Interactions)
Social enterprises ***(Hypothesis 1B)***	-2.411*** (0.16)		-2.468*** (0.19)	-2.785*** (0.23)	-2.236*** (0.24)	-2.582*** (0.28)
Forprofit in disguise	-2.674*** (0.59)		-1.212 (0.76)	-1.013 (0.78)	-1.123 (0.78)	-0.951 (0.78)
Pure forprofits	-3.263*** (0.33)		-2.893*** (0.36)	-3.131*** (0.37)	-2.993*** (0.37)	-3.193*** (0.38)
Social enterprise × All female founders ***(Hypothesis 2B)***				1.047** (0.37)		0.987** (0.37)
Social enterprise × Forprofit experience					-0.510 (0.33)	-0.404 (0.33)
Organizational age (logged)		0.133*** (0.03)	0.121*** (0.03)	0.117*** (0.03)	0.120*** (0.03)	0.117*** (0.03)
Forprofit experience		-0.683*** (0.13)	-0.390** (0.15)	-0.385** (0.15)	-0.020 (0.28)	-0.091 (0.28)
Leadership experience		-0.006 (0.16)	0.046 (0.19)	0.033 (0.19)	0.059 (0.19)	0.043 (0.19)
All female founders		0.120 (0.15)	-0.069 (0.18)	-0.799* (0.31)	-0.068 (0.18)	-0.754* (0.31)
Prior accelerator		0.593*** (0.12)	0.896*** (0.14)	0.889*** (0.14)	0.887*** (0.14)	0.882*** (0.14)
Invention based		-0.050 (0.12)	0.348* (0.15)	0.354* (0.15)	0.354* (0.15)	0.357* (0.15)
Online presence		1.199*** (0.33)	1.285*** (0.38)	1.325*** (0.39)	1.262*** (0.38)	1.307*** (0.38)
Number of fulltime employees (logged)		0.052** (0.02)	0.044* (0.02)	0.047* (0.02)	0.046* (0.02)	0.048* (0.02)

US Born		0.351*	0.050	0.046	0.045	0.043
		(0.17)	(0.20)	(0.20)	(0.20)	(0.20)
Sector heat among donors		5.118***	4.098***	4.131***	4.071***	4.108***
		(0.52)	(0.59)	(0.59)	(0.59)	(0.59)
Constant	-5.220***	-7.325***	-6.494***	-6.354***	-6.602***	-6.445***
	(1.42)	(1.46)	(1.48)	(1.48)	(1.48)	(1.49)
Year fixed effects	Yes	Yes	Yes	Yes	Yes	Yes
Model df	7	14	17	18	18	19
Penalized Log-Likelihood	-805.972	-858.230	-669.018	-664.033	-666.681	-662.178
BIC	1674.641	1834.847	1478.403	1476.231	1481.525	1480.319
AIC	1627.943	1746.46	1374.037	1366.067	1371.361	1364.357
N (ventures)	2533	2677	2436	2436	2436	2436

Note: Standard errors are in parentheses. Reference category is the pure form of nonprofit organizations.
*Two-tailed test: * p<0.05 ** p<0.01 *** p<0.001*