

HOW CAN EXPERIMENTATION HELP US TO DEVELOP MORE EFFECTIVE POLICIES?

LEARNING FROM A FIELD EXPERIMENT WITH SOCIAL ENTREPRENEURS

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MAY 22 2019

Presentation based on work with Ina Ganguli (Univ. Massachusetts Amherst) and Marieke Huysentruyt (HEC, Paris)



How can we promote sustainable economic growth?

- Today's major societal problems - such as climate change, inequality, social injustice - urgently call for new ideas and approaches that can create both economic growth and social value
- A new market actor on the innovation scene

Oomph

Social mission: Provide physical exercise classes for the elderly

Innovation: new exercises and training program

Market: £2 million.

Lottery funded

+

Sales for 600 nursing homes for the elderly



Source: Oomph-wellness.org

What is a Social Enterprise?

- has a **social mission** aimed at reducing some aspect of inequality and seek to create social value
 - examples: provision of healthcare, drinking water, renewable energy, jobs for the unemployed and education
- its **profits are not the primary motivation** but revenue still plays a role in the sustainability of the venture
- it is not...
 - a **traditional charity** that relies on outside funding in the form of donations or grants to achieve its social mission
 - an **ethical business/CSR** that creates profit for its shareholders and takes an ethics-based approach to issues like environment, trade practices, and community development

Increasing Interest for Social Entrepreneurship

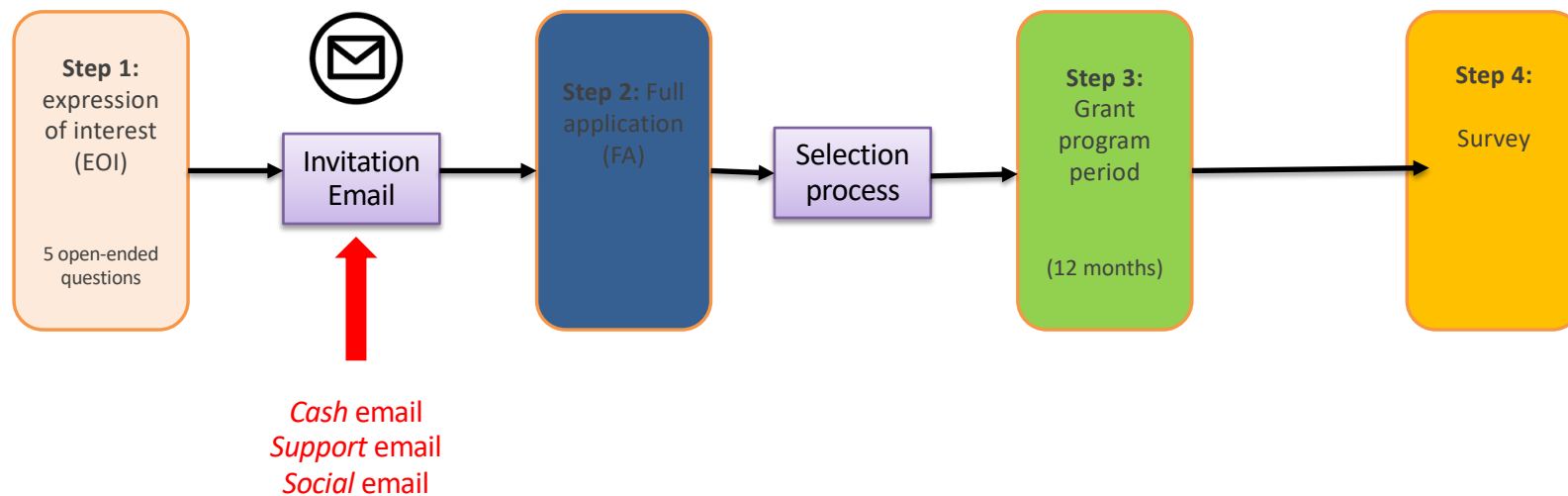
- Increasing number of SEs globally
 - 3.2% of adults (18-64 years) across 58 economies trying to start-up or lead a SE (Bosma, et al 2016)
- Increased funding and policy interest in the role of SES in in tackling societal challenges

Still know very little about who starts-up SEs

- What are their individual motivations ?
 - It often assumed that SEs have stronger prosocial preferences but...
- What are the effects of these motivations on SE growth and development?
 - Preferences and motivations can impact the behavior and performance of individuals (Ariely, Bracha and Meier, 2009)

RCT with the largest UK's supporting organization for SE

Behavioral intervention during a grant competition that includes £5,000 and 1-to-1 support for nascent social entrepreneurs





Behavioral intervention (Step 2)

(Variation of the email content)

IF YOUR APPLICATION IS SUCCESSFUL, THIS AWARD WILL PROVIDE YOU WITH ...

From: awardapplications@unltd.org.uk
Sent: 01 August 2014 12:14
To: XXX
Subject: UnLtd Funding Build It Application #EOI0714159
Importance: High

Dear XXX,

Following a review of your expression of interest by an Award Manager I am pleased to confirm that you have been invited to apply for an UnLtd Build It Award.

Please find attached the full application form for completion and guidance notes to assist you. The initial information you provided in your expression of interest can form part of your application, which must be fully completed before you return it to us.

Due to the exceptionally high volume of interest in our Awards, we have three application windows per year. If your application is accepted we will invite you to pitch to the next Award panel which is in September 2014. You will need to take into consideration the following key dates:

You can submit your application up until noon:	You will be notified if you have been invited to pitch by:	If your application is accepted, you will be invited to pitch at an Award panel between:	You will be notified of our decision during week commencing:	If you are Awarded, your first meeting will be on:
1 st September 2014	12 th September 2014	22 nd September – 3 rd October 2014	27 th October 2014	6 th November 2014

Upon receipt, we will review your application and an Award Manager may contact you to discuss your venture in more detail. Please bear in mind that this is a competitive process and if at any stage of the process we decide you are not eligible for an UnLtd Award you will be informed. If you do not submit your application within the specified timeframe you will need to restart the process by submitting a new expression of interest.

To submit your application:

If you would like any pre-application support, please ensure you submit your application by noon Friday 15th August 2014. Please email your completed application to awardapplications@unltd.org.uk

Please do not submit your application form in PDF format.

If you have any questions please do not hesitate to contact me.

Kind Regards
Ushma



Behavioral intervention Step 2

- **Cash** treatment:

Body of the email (highlighted): "If your application is successful, this award will provide you with various resources, notably a cash award of £5,000. We provide these financial resources that can help you take the next step in your journey."

- **Support** treatment:

Body of the email (highlighted): "If your application is successful, this award will provide you with 1-to-1 support with an Award Manager to help you take the next step in your journey. We work with you to grow your plans and access the help you need."

- **Social (~control)** treatment:

Body of the email (highlighted): "If your application is successful, this award will provide you with the opportunity to make a difference by helping transform communities and tackle the many social challenges we face. We aim to bring people together in a common cause to inspire hope for the future and build people's confidence to act."



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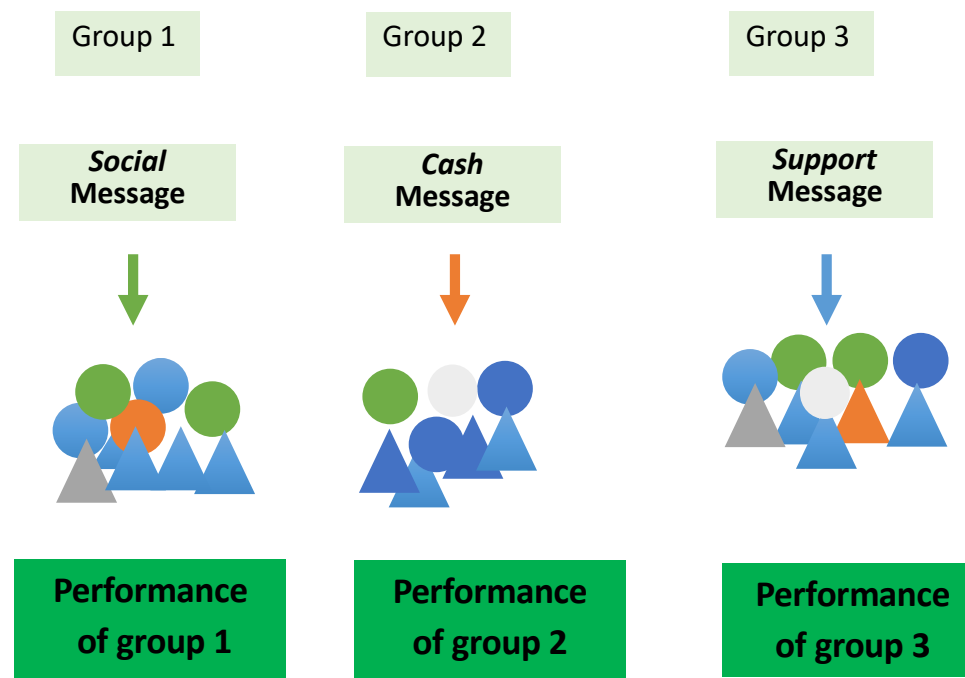
Behavioral intervention (Step 3)

STEP 1: Randomly assign EOI applicants across groups

STEP 2: Send different messages to different groups

STEP 3: observe the difference across groups

1. full application
2. successful grant
3. performance after 1 year
- (4. expression of interest)



Important! Applicants are randomly assigned to one “email” group
+ Treatment groups differ only in the framing of the award.

Measuring the impact of SEs motivations

- **Identification strategy:** Each treatment accentuates a different aspect of the award. If this aspect is self-relevant and diagnostic to the individual, then this individual is more likely to submit full application

- **Focus:**
 - Test for an **incentive effect**
Do individuals exert higher application efforts in *Cash* and *Support* ?
 - Test for a **selection effect**
Are applicants qualitatively different across treatments?
 - Measure a **post-award performance**
Are the selected SEs under reward treatments perform better?

Findings

1. Incentive effect : *Cash* and *Support* leads to **greater effort** and more successful applications
2. Evidence of a **crowding-effect of the monetary reward**
 - fewer individuals apply and fewer prosocial projects in *Cash* treatment
3. Evidence of a **selection effect of applicants**
 - more monetary-oriented and less social individuals in the *Cash* treatment
4. This crowding-out of prosocial individuals/projects seem to lead to lower performance
 - 27% fewer new job**
 - 20% fewer beneficiaries**
 - 13% less likely to benefit minority and disadvantaged groups**

Conclusion

- Extrinsic reward cues can promote effort and performance in the context of social innovation, but may carry substantial costs
- Our results highlight the **importance of intrinsic motivation as a key input to performance** of social enterprises
- Designers of policies and programs aimed at stimulating social entrepreneurial success
 - important to recognize “design choices” affects sorting and performance that not well-aligned with their social goals.

To know more about this RCT:

How Do Social Entrepreneurs Respond to Rewards? A Field Experiment on Motivations

I. Ganguli, M. Huysentruyt, C. Le Coq, 2018, [SITE_U Mass Working Paper](#)



SITE STOCKHOLM INSTITUTE OF
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THANK YOU

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STOCKHOLM SCHOOL OF ECONOMICS (SITE)