HOW CAN EXPERIMENTATION HELP US TO DEVELOP MORE EFFECTIVE POLICIES?

LEARNING FROM A FIELD EXPERIMENT WITH SOCIAL ENTREPRENEURS

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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 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 ...
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

- Social Message
- Cash Message
- Support Message

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
THANK YOU

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