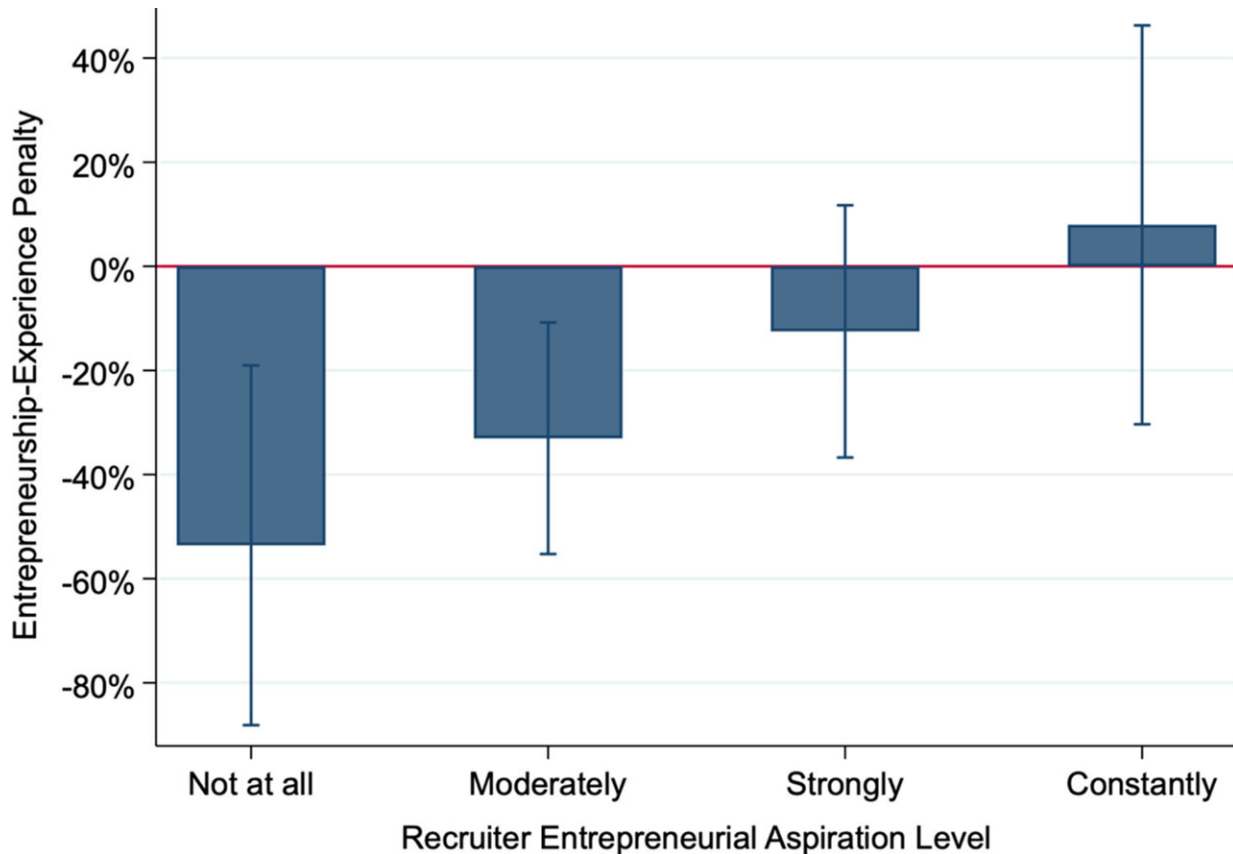


Study suggests corporate culture thwarts efforts to hire innovative candidates

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Moderating effect of recruiter's entrepreneurial aspiration on job applicant's entrepreneurship-experience penalty. This figure compares entrepreneurship penalty when the job candidate faces recruiters with varying level of entrepreneurial aspiration (from not at all to constantly). Entrepreneurship penalty is proportional penalty, which is defined as the difference in the predicted probability of being favored for hiring when the job applicant's condition changes from having no entrepreneurship experience to having

entrepreneurship experience, divided by the base (the probability when having no entrepreneurship experience). This figure is based on the results of model 5 of Table 3. Credit: *Strategic Entrepreneurship Journal* (2023). DOI: 10.1002/sej.1479

Despite the rhetoric from CEOs about the importance of recruiting for innovation, entrepreneurs face an established hiring bias. According to [a recent study](#) in the *Strategic Entrepreneurship Journal*, recruiters are 23 to 29% less likely to rank a former startup founder as a top candidate against their corporate executive peers. The authors demonstrated that recruiter characteristics can have a lot to do mitigating this bias, as does the size of a company.

The study, authored by Waverly Ding and Debra Shapiro, of the University of Maryland, and Hyeun Lee, of the University of Toronto, asked 275 managers with recruitment experience to choose a top candidate from four resumes: two listing [company](#) "founder" as the last-held position and two listing "executive." The study's recruiters were also asked the size of their organization and to indicate "How strongly have you considered starting your own company?" on a four-point scale.

"As a general trend, the higher the job recruiter's own entrepreneurial aspiration, the less severe a penalty they assigned to a post-entrepreneur job candidate," said Lee.

Why do the recruiter's aspirations matter in hiring former startup founders?

Recruiters are the gateway to the job market: their evaluations determine if candidates even make it past the first stages of the hiring process. Their own perceptions are embedded in how they evaluate job

applicants' data, and those evaluations might be influenced by their knowledge of the startup market, entrepreneurial challenges, or how they view [entrepreneurs](#).

There's also the age-old similarity bias, which suggests that recruiters are much more likely to positively evaluate applicants whom they identify with. The study suggests that the more a recruiter identifies with candidates, the more they will gauge them as a cultural fit with their organization. This played out as entrepreneurs receiving higher ratings from 1) recruiters who could see themselves founding a company and 2) recruiters working at smaller businesses.

Why company size matters when recruiting former entrepreneurs

Startups are, by nature, small businesses. So, many of their cultural nuances would be more familiar for recruiters from smaller businesses, which might explain why entrepreneurially minded recruiters at these organizations see entrepreneurs more favorably. Some of the cultural similarities include:

- Smaller businesses allow recruiters a greater role in decisions. At larger companies, candidates need to meet more qualifications and be evaluated by more people.
- Entrepreneurs' generalist skillsets tend to align better at smaller companies who might need coverage across multiple positions. Larger corporations typically have more job specialization.
- Both startups and [small businesses](#) are typically nimbler, less hierarchical, with more fluid cultures. Recruiters from larger corporations might evaluate entrepreneurs as a poor 'cultural fit' because of the organization's greater rigidity and bureaucracy.

While the study data suggests smaller companies are more likely to hire former entrepreneurs (if the recruiter has an affiliation for entrepreneurship), it's important to note that startup founders were still less hireable overall.

Why are companies less likely to hire entrepreneurs?

Multiple studies have found similar biases against former startup founders in the job market. Most explanations revolve around the uncertainties associated with evaluating a post-entrepreneur, including:

Start-up company names are less familiar: It's harder for recruiters to gauge the quality of candidates' experience, training, skills, and professional networks at an obscure startup. In comparison, they've likely worked with candidates from large, established corporations.

Founder positions have a sparser track record: Startups usually work in niche markets or on highly specific products. They aren't launching new products or repeatedly performing the same tasks every quarter, which gives recruiters less data to evaluate their performance.

Corporate and entrepreneur skillsets are misaligned: Startup founders necessarily need to be generalists. But most positions in large corporations are highly specialized, which makes it harder for recruiters to match founder candidates' skillsets to specific positions.

Recruiters question founders' cultural fit: Entrepreneurs are known to prefer autonomy, independence, and fast decision-making, which can raise questions for recruiters about their ability to comply with policies and procedures in a corporate environment.

Former-entrepreneurs might be perceived as failures: Recruiters may think entrepreneurs founded ventures initially because they were unable to

find traditional employment, and/or they're re-entering the job market because their ventures failed.

The authors conducted a second study to determine which of these aspects the entrepreneurial recruiters might be viewing more favorably in [startup](#) founders. They asked 325 undergraduate business majors to evaluate founder versus executive resumes for competence, leadership, impact, trustworthiness, commitment to the organization, and success, while measuring the evaluators' entrepreneurial aspirations.

Entrepreneurially oriented participants rated post-entrepreneur resumes more highly on competence, leadership, and impact.

"We were surprised, given the tendency for entrepreneurs re-entering the workforce to be stigmatized by presumed failure, that the success of post-entrepreneur applicants was rated no differently," Shapiro said. "This finding bolsters our confidence in the ingroup bias-related explanation we provide for our primary study's key finding—namely, that the penalty against post-entrepreneurs as job-candidates is weaker for recruiters who have entrepreneurial aspiration."

The prevalence for recruiters to cite lack of cultural fit as a reason for not hiring entrepreneurs might be the key to unlocking the bias against them. While senior leaders might say they prioritize hiring for innovation and entrepreneurship, if their organization does not already have a culture that emphasizes these values, recruiters don't have an incentive to hire for them. Building that affiliation in recruiters—and making them aware of inherent biases against entrepreneurs—might be the key to solving the hiring for innovation dilemma.

More information: Waverly W. Ding et al, Are entrepreneurs penalized during job searches? It depends on who is hiring, *Strategic Entrepreneurship Journal* (2023). [DOI: 10.1002/sej.1479](https://doi.org/10.1002/sej.1479)

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