



No. 024/2020/OBM/ENT

Founders, Females, and the Covid-19 Pandemic: Crisis Responses of Business Leaders

Robert Langan

Geneva School of Economics and Management,
University of Geneva

Achim Schmitt

Ecole hôtelière de Lausanne
HES-SO University of Applied Sciences and Arts Western Switzerland

Katherine R. Xin*

Department of Organisational Behaviour and Human Resource Management
China Europe International Business School (CEIBS)

July 2020

* Corresponding author: Katherine R. Xin (katherinexin@ceibs.edu). Address: Department of Organisational Behaviour and Human Resource Management, China Europe International Business School (CEIBS), 699 Hongfeng Road, Pudong, Shanghai 201206, China.

FOUNDERS, FEMALES, AND THE COVID-19 PANDEMIC: CRISIS RESPONSES OF BUSINESS LEADERS

Prior research has claimed that founders and managers differ in managing organizational crisis. Based on the entrepreneurship and psychology literature, this study investigates leaders' distinct responses to the Covid-19 pandemic. Specifically, we explore potential differences between founders and managers' perception of business challenges and opportunities during a crisis, whether they differ in their crisis response actions, and whether gender plays a moderating role. Based on a unique empirical dataset analyzing 331 crisis response strategies across founders and business leaders in China, our results identify (a) that founders do respond to crises differently than managers and (b) that gender plays a critical role. These insights contribute to the literature on crisis management and extend prior literature exploring how individual characteristics can shape decision-making in organizations.

Keywords: Covid-19 pandemic; crisis management; founder; females; CEO characteristics

entrepreneurs tend towards a greater propensity for risk and self-efficacy (Chen, Greene, & Crick, 1998; Stewart & Roth, 2001). From a management perspective, founders have different priorities than managers and thus take different managerial decisions (e.g. Abebe & Tangpong, 2018; Souder, Simsek, & Johnson, 2012). The consensus is that founders tend to be optimistic, highly confident, risk

toward traits that are less associated with those of entrepreneurs. This suggests that how founders respond to a crisis may be moderated by their gender. As the number of female managers and founders continues to grow (Bonet, Cappelli, & Hamori, in press; Rocha & Van Praag, 2020), this, too, becomes an important question during times of uncertainty and crisis. 306157e9(2020)] T.

In this study, we draw on the psychology and entrepreneurship literatures to examine the ways that founders and managers differ in their perceptions and responses to the Covid-19 pandemic, and further examine how gender may play a moderating role. Based on a unique dataset from a survey completed by Chinese founders and business leaders during the Covid-19 pandemic, we had the rare opportunity to assess business leaders' decision-making rationale for formulating crisis response strategies. Given that China was the first place to experience the dangers of the pandemic, no prior information or learning was available to the respondents the way it has been to Europeans or North Americans who could look to China for information. This avoids the confounds of learning or best practices being available to respondents and represents the very first response of business leaders to the pandemic. As such, this context enabled a unique opportunity to examine how the characteristics of business leaders affected their perceptions and responses to the crises. This study contributes to research on -389()-6(c)4(h)20() [(

ventures as a way of responding to that adversity (Williams & Shepherd, 2016b). Indeed, founders feel a responsibility to alleviate others' adversity following a crisis and look for opportunities to do so (Williams & Shepherd, 2016a). This notion has also been exemplified during the Covid-19 pandemic, in which founders have seized opportunities to earn revenue and at the same time help the community by creating ventilators, masks, and hand sanitizer (Abrams, 2020; Bashir, 2020; McShane, 2020). Hence, we posit the following two hypotheses.

Hypothesis 1a: There will be a negative relationship between founders and perceived business challenges stemming from the Covid-19 pandemic.

Hypothesis 1b: There will be a positive relationship between founders and perceived business opportunities stemming from the Covid-19 pandemic.

We expect female founders to perceive greater challenges and opportunities. Females' proclivity toward neuroticism and orderliness (Weisberg, et al., 2011) should result in them being

Hypothesis 2a: The negative relationship between founders and perceived business challenges will be attenuated when the founder is a female

Hypothesis 2b: The positive relationship between founders and perceptions of business opportunities will be strengthened when the founder is a female

Taking actions in response to the crisis

Individuals will ultimately choose how to respond to a crisis by considering the resources required, as well as the direct and indirect consequences of any actions (Sweeny, 2008). Among the various response options available to business leaders, we focus on two competing ones. On one hand, business leaders can opt for externally focused responses, concentrating on what the business can do to gain new consumers or spur a growth in different markets (Dutton & Jackson, 1987). These can be represented by actions such as offering new products/services or investing in research and development (R&D), for example. On the other hand, business leaders can opt for internally focused responses, concentrating on how the firm and its employees are operating (Staw, Sandelands, & Dutton, 1981). These can be represented by actions such as improving firm tools for telecommunication/teamwork or focusing on employees' training to meet the new needs of the crisis. Naturally, in the context of a business, many types of options can be taken simultaneously to tackle the many difficulties the crisis has created. As such, they are not mutually exclusive. However, owing to their differences, we argue that founders should be more likely than managers to opt for externally focused responses and less likely to opt for internally focused responses.

When evaluating a response, minimizing the resources required is a key consideration (Edwards, 1954). Given that the founder started the venture from scratch and successfully developed it into a successful business, he or she may believe that the resources required of an

Hypothesis 3b: There will be a negative relationship between founders and internally focused business responses to the Covid-19 pandemic

Female founders, on the other hand, should opt for a more internally focused response and less for an externally focused response. Females' lower tendency towards industriousness than men and greater tendencies towards neuroticism and agreeableness – the latter including compassion as a main aspect (Costa, et al., 2001; Weisberg, et al., 2011) – suggest they may focus primarily on the internal negative effects of the pandemic and how it may be affecting the employees. Indeed, research into female entrepreneurs' styles of leadership suggest that they take

Hypothesis 4b: The negative relationship between founders and internally focused

considered in the questions posed to respondents. Regarding challenges, two major effects of the pandemic on businesses were a disruption to their operations/ processes, and the move toward employees working from home. Prior research has noted that a disruption or unexpected change to a firm's operations and planning can have harmful effects for a firm leading to a breakdown in the cohesion of a firm's management and stasis in decision-making (e.g. Ballinger & Marcel, 2010). Similarly, research suggests that, when employees are not co-located, challenges can arise because planning and execution of tasks can take longer, managing employees is more difficult, and because non-physical cues and rapport among employees suffer (e.g. Bonet & Salvador, 2017). Based on these literatures, respondents were asked four questions about their perceived challenges stemming from a) delayed business operations and planning, b) disruption to existing management processes, c) difficulties in managing employees through telecommunication, and d) difficulties for teamwork (each coded as 'yes' = 1; 'no' = 0). These questions were then combined into a composite measure called *composite business challenges* which had a range of 0 to 4.

Regarding their perceived opportunities, prior research suggests that crises can be perceived as presenting two types of opportunities. The first is an opportunity to mitigate the effect of current or future negative events (Brockner & James, 2008). As a way to mitigate negative outcomes, leaders can perceive a crisis as an opportunity for organizational learning to be used in future crises (James, et al., 2011) or as an opportunity to implement change to avoid further or future vulnerabilities (Brockner & James, 2008). The second type of opportunity is the chance to introduce initiatives to make positive outcomes more likely. These include the implementation of new systems or technologies or entrance into new markets that either emerge from the crisis or become easier to enter (Brockner & James, 2008). As such, respondents were

and 106 (32%) were female. There were 44 (26%) female founders. Table 2 presents the main results of the OLS regression analyses.¹

As evident in Model 2, there was a negative relationship between founders and perceived business challenges stemming from the Covid-19 pandemic ($\beta=-0.405$, $p=0.044$) and this effect was weakened when the founder is a female ($\beta=0.941$, $p<0.001$), thus supporting hypotheses 1a and 2a. As evident in Model 4, results did not support hypotheses 1b, that there will be a positive relationship between founders and perceived business opportunities stemming from the Covid-19 pandemic. In fact, there appears to be a negative relationship ($\beta=-0.466$, $p<0.017$). However, the

opportunities, and ultimately what crisis response actions they take. While founders are related to perceptions of fewer challenges and a tendency not to take internally focused actions, it appears to be their gender that plays the most important role. Interestingly, female founders were related to a greater perception of both challenges and opportunities and took both internally and externally focused actions. As such, these results support notions presented by the popular press that female leaders may have qualities that make for better leaders during crises (Champoux-Paillé & Croteau, 2020). Female leaders appear to be more sensitive to the environment and situation, and thus more sensitive to both challenges and opportunities presented to them, especially during crisis situations.

understand the role that information, learning, and comparison with others has in leaders' crisis responses (Sweeny, 2008). Nevertheless, we believe that this study offers an important contribution to research on business leaders' crisis responses, and specifically to much needed research on the responses of business leaders to the Covid-19 pandemic.

In short, examining the characteristics of a business' leader can offer important insights into how a business ultimately responds to a crisis. As we demonstrate, two important characteristics of a leader are the founder status and gender. As such, we contribute to a further understanding of crisis responses and hope that this will spur future research in this area.

References

- Abebe, M. A., & Tangpong, C. (2018). Founder CEOs and corporate turnaround among declining firms. *Corporate Governance: An International Review*, 26(1), 45-57.
- Abrams, A. (2020). 'A chance to do our part.' How this family-owned distillery switched from whiskey to hand sanitizer amid the Covid-19 crisis, *Time*. Retrieved from <https://time.com/5817460/coronavirus-distillery-hand-sanitizer/>
- Ahuja, G., Lampert, C. M., & Tandon, V. (2008). 1 moving beyond Schumpeter: management research on the determinants of technological innovation. *Academy of Management Annals*, 2(1), 1-98.
- Ajzen, I. (2002). Perceived behavioral control, self efficacy, locus of control, and the theory of planned behavior 1. *Journal of Applied Social Psychology*, 32(4), 665-683.
- Ancona, D. (2012). Framing and Acting in the Unknown. S. Snook, N. Nohria, & R. Khurana, *The Handbook for Teaching Leadership*, 3-19.
- Aspinwall, L. G., & Taylor, S. E. (1997). A stitch in time: Self-regulation and proactive coping. *Psychological Bulletin*, 121(3), 417.
- Baker, T., & Nelson, R. E. (2005). Creating something from nothing: Resource construction through entrepreneurial bricolage. *Administrative Science Quarterly*, 50(3), 329-366.
- Ballinger, G. A., & Marcel, J. J. (2010). The use of an interim CEO during succession episodes and firm performance. *Strategic Management Journal*, 31(3), 262-283.
- Barker, V. L., & Mueller, G. C. (2002). CEO characteristics and firm R&D spending. *Management Science*, 48(6), 782-801.
- Bashir, N. (2020). James Dyson designed a new ventilator in 10 days. He's making 15,000 for the pandemic fight, *CNN*. Retrieved from <https://www.cnn.com/2020/03/26/tech/dyson-ventilators-coronavirus/index.html>
- Baumeister, R. F., Bratslavsky, E., Finkenauer, C., & Vohs, K. D. (2001). Bad is stronger than good. *Review of General Psychology*, 5(4), 323-370.
- Berger, E. S., & Kuckertz, A. (2016). Female entrepreneurship in startup ecosystems worldwide. *Journal of Business Research*, 69(11), 5163-5168.
- Bertrand, M., & Schoar, A. (2003). Managing with style: The effect of managers on firm policies. *The Quarterly Journal of Economics*, 118(4), 1169-1208.
- Billings, R. S., Milburn, T. W., & Schaalman, M. L. (1980). A model of crisis perception: A theoretical and empirical analysis. *Administrative Science Quarterly*, 300-316.
- Birley, S. (1987). Female entrepreneurs: are they really any different?
- Block, J. H. (2012). R&D investments in family and founder firms: An agency perspective. *Journal of Business Venturing*, 27(2), 248-265.
- Bonet, R., Cappelli, P., & Hamori, M. (in press). Gender differences in speed of advancement: An empirical examination of top executives in the fortune 100 firms. *Strategic Management Journal*.
- Bonet, R., & Salvador, F. (2017). When the boss is away: Manager-worker separation and worker performance in a multisite software maintenance organization. *Organization Science*, 28(2), 244-261.
- Brislin, R. W. (1970). Back-translation for cross-cultural research. *Journal of Cross-Cultural Psychology*, 1(3), 185-216.
- Brockner, J., & James, E. (2008). Toward an understanding of when Executives see Crisis as Opportunity. *Journal of Applied Behavioral Science*, 44(03), 94-115.

- Eagly, A. H., & Carli, L. L. (2003). The female leadership advantage: An evaluation of the evidence. *The Leadership Quarterly*, 14(6), 807-834.
- Edwards, W. (1954). The theory of decision making. *Psychological Bulletin*, 51(4), 380.
- Faccio, M., Marchica, M.-T., & Mura, R. (2016). CEO gender, corporate risk-taking, and the efficiency of capital allocation. *Journal of Corporate Finance*, 39, 193-209.
- Feingold, A. (1994). Gender differences in personality: a meta-analysis. *Psychological Bulletin*, 116(3), 429.
- Garcia, H. F. (2006). Effective leadership response to crisis. *Strategy & Leadership*.
- Grilli, L. (2011). When the going gets tough, do the tough get going? The pre-entry work experience of founders and high-tech start-up survival during an industry crisis. *International Small Business Journal*, 29(6), 626-647.
- Gupta, V. K., Han, S., Mortal, S. C., Silveri, S. D., & Turban, D. B. (2018). Do women CEOs face greater threat of shareholder activism compared to male CEOs? A role congruity perspective. *Journal of Applied Psychology*, 103(2), 228.
- Hambrick, D. C., Finkelstein, S., & Mooney, A. C. (2005). Executive job demands: New insights for explaining strategic decisions and leader behaviors. *Academy of Management Review*, 30(3), 472-491.
- He, L. (2008). Do founders matter? A study of executive compensation, governance structure and firm performance. *Journal of Business Venturing*, 23(3), 257-279.
- He, L., & Ziady, H. (2020). Jack Ma donates \$14 million to develop coronavirus vaccine, *CNN*. Retrieved from <https://edition.cnn.com/2020/01/29/business/jack-ma-coronavirus-vaccine/index.html>
- Hechavarria, D. M., Terjesen, S. A., Ingram, A. E., Renko, M., Justo, R., & Elam, A. (2017). Taking care of business: the impact of culture and gender on entrepreneurs' blended value creation go(.)-9(t8(s)9(.)-9()] TJETBT/F5 12 Tf1 0 0 1 321007 477.88 Tm[(v98(s)9g218<00588 T

Schmitt, A., & Raisch, S. (2013). Corporate turnarounds: The duality of retrenchment and recovery. *Journal of Management Studies*, 50(7), 1216-1244.

Secor, H., Woodward, A., & Mosher, D. (2020, May 4, 2020). A comprehensive timeline of the new coronavirus pandemic, from China's first Covid-19 case to the present, *Business Insider*. Retrieved from <https://www.businessinsider.com/coronavirus-pandemic-timeline-history-major-events-2020-3>

Shahriar, A. Z. M. (2018). Gender differences in entrepreneurial propensity: Evidence from matrilineal and patriarchal societies. *Journal of Business Venturing*, 33(6), 762-779.

Shalal, A., & Lawder, D. (2020). IMF Chief says pandemic will unleash worst recession since 1929. Retrieved from <https://www.reuters.com/article/us-health-coronavirus-imf/imf-chief-says-pandemic-will-unleash-worst-recession-since-great-depression-idUSKCN21R1SM>

Shepherd, D. A., & Williams, T. A. (2014). Local venturing as compassion organizing in the aftermath of a natural disaster: The role of localness and community in reducing suffering. *Journal of Management Studies*, 51(6), 952-994.

Simon, M., Houghton, S. M., & Aquino, K. (2000). Cognitive biases, risk perception, and venture formation: How individuals decide to start companies. *Journal of Business Venturing*, 15(2), 113-134.

Souder, D., Simsek, Z., & Johnson, S. G. (2012). The differing effects of agent and founder CEOs on the firm's market expansion. *Strategic Management Journal*, 33(1), 23-41.

Staw, B. M., Sandelands, L. E., & Dutton, J. E. (1981). Threat rigidity effects in organizational behavior: A multilevel analysis. *Administrative Science Quarterly*, 26(4), 681-710.

- Wittenberg-Cox, A. (2020). What do Countries With the Best Coronavirus Responses have in Common? Women Leaders. *Forbes*.
- Wooten, L. P., & James, E. H. (2008). Linking crisis management and leadership competencies: The role of human resource development. *Advances in developing human resources*, *10*(3), 352-379.
- Yakowicz, W. (2020). How Bill Gates, Jack Ma, and 11 other Billionaires are Reacting to the Coronavirus Pandemic. Retrieved from <https://www.forbes.com/sites/willyakowicz/2020/03/15/how-billionaires-are-reacting-to-the-coronavirus-pandemic/#484cdb012e22>
- Zhao, H., & Seibert, S. E. (2006). The big five personality dimensions and entrepreneurial status: A meta-analytical review. *Journal of Applied Psychology*, *91*(2), 259.

Table 1. Means, Standard Deviations, and Correlations of Variables

	Mean	SD	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1. Composite business challenges	1.69	1.08	1														
2. Co																	

Table 2. OLS estimates of various responses to the Covid-19 pandemic

Model 1

Model 2

Model 3

Model 4

Model 5

Model 6

Model 7

Model 8