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## **Framing Second Generation Gender Bias: Implications for Women's Entrepreneurship**

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## FRAMING SECOND GENERATION GENDER BIAS: IMPLICATIONS FOR WOMEN'S ENTREPRENEURSHIP

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The effect of second generation gender bias or 'implicit bias' on women's careers is receiving greater attention. Recent research has linked second generation gender bias to the entrepreneurial process — in particular, term sheet negotiations and female entrepreneurs. Entrepreneurship researchers have not integrated the labor economics literature on the gender wage gap — a structural impediment that shapes the options that women have in terms of careers and entrepreneurship, including negotiation. This paper proposes an interdisciplinary analytical framework for understanding second generation gender bias female entrepreneurs encounter as a barrier to success.

*Keywords:* Gender; women's entrepreneurship; second generation gender bias; wage gap; implicit bias.

### 1. Introduction

The empirical research of Claudia Goldin on the gender wage gap in the United States has contributed much to our understanding of the position of women in the workplace. Goldin (2014) has claimed that the convergence taking place in the roles of women in society and the economy is leading to a narrowing of the differences between men and women in labor force participation. This evaluation of the position of women in the labor market contradicts evidence that the gender wage gap remains a structural impediment (Blau and Khan, 2016). Data from the U.S. Department of Labor (2017) shows that the U.S. women's labor force participation rate has increased to 57 percent. Yet, only five percent of Fortune 500 CEOs are women and the composition of company boards remain stubbornly male at 80 percent (Catalyst, 2017).

The progress women have made in U.S. workplaces should not obscure the remaining obstacles that persist in the workplace and in building entrepreneurial companies. Gender discrimination — unintentional or otherwise — continues to pose barriers to women in all industries. This paper frames second generation gender bias (Sturm, 2001) as an interdisciplinary concept. It deconstructs the concept into elements consisting of the wage gap, explicit bias and implicit bias, underpinned by assumptions about women's roles, unveiling the “deep structure” in which second generation bias is rooted (Devnew *et al.*, 2017). The paper draws on empirical findings in labor economics, research in employment law and civil rights legislation, management and social psychology to interpret the differential outcomes for female and male entrepreneurs who raise risk capital.

Gender matters in negotiation in general (Kray and Kennedy, 2017) and when negotiating term sheets (Brooks and Schweitzer, 2011; Kanze *et al.*, 2018; Poczter and Shapsis, 2017; Balachandra *et al.*, 2013). In recent research among female entrepreneurs in the United States, most respondents did not report any experience of discrimination when negotiating for external equity capital, defined as including angel and venture capital investment (Swartz *et al.*, 2016a). One respondent opined that her gender helped rather than hindered her during negotiations; yet, outcomes from predictive statistics suggested something different. Negotiating teams that included a man as a member of the team emerged as more successful in securing external equity investments while simultaneously enabling the entrepreneur to retain more equity than those without a male on the team (Swartz *et al.*, 2016b). These research outcomes inspired us to review of the literature on gender, the labor market and second generation bias to more clearly frame the elements of second generation gender bias.

Human capital development (Becker, 1993) is manifest in the gender wage gap, which has a ‘sorting’ effect evident in the types of companies that women start and grow. This is important for women who become entrepreneurs — based on 2012 U.S. Census data, the 2017 projections by American Express Open on the growth of female-owned businesses show that the industries in which women start companies continue to be personal and home care, health and social assistance, professional and administrative services and retail (American Express, 2017). Additionally, women continue to receive a small proportion of total external equity investment dollars compared to males (Brush *et al.*, 2014; Robb and Coleman, 2009), while having little decision-making power in the external equity capital industry and the technology industry (Brush *et al.*, 2014; Correll and MacKenzie, 2016). Women approach the development of companies in a different way to men, offering different products or services and using half as much capital as male counterparts to start companies (Fetsch *et al.*, 2015). Poczter and Shapsis (2017) show that although women are no less likely to receive angel investment than men, female entrepreneur teams receive smaller investments and give up more equity than do male teams. Looking at deals negotiated on the television show, Shark Tank, these authors find female entrepreneur teams asked for less investment and lowered the valuation of their companies; their findings suggest the “ask” made by these entrepreneurs was not strategic. The authors argue that women would benefit from “knowing their worth” when negotiating for funding.

Brush *et al.* (2009) have called for a nuanced understanding of gender as a variable in entrepreneurship policy making. This call is now being echoed in economics (Wolfers, 2016). Consider the outcomes of research by female economists who investigated the effect of gender neutral policies related to stopping tenure clocks for male and female academics at U.S. institutions (Wolfers, 2016; Antecol *et al.*, 2016); male academics were advantaged, increasing the difficulty for female economists to obtain tenure at leading economics departments. This example is pertinent because economists insist it is difficult to demonstrate wage discrimination based on gender. Although causality is difficult to demonstrate, the empirical nature of labor economics can illustrate the unequal odds women face in labor markets and, by extension, entrepreneurship. Similarly, evidence from employment law can augment the gender-focused research in management and entrepreneurship to build an analytical framework that explains current experiences of female entrepreneurs. Second generation gender bias (Ibarra *et al.*, 2013; Sturm, 2001) provides such an analytical concept.

This paper develops an interdisciplinary review of the concept, drawing from gender and negotiation, labor economics and employment law. The application of the concept in the field of employment law (Sturm, 2001 and Krieger, 2004) must be explored further and perspectives from labor economics (Blau and Khan, 2016; Goldin, 2014; Goldin and Katz, 2016), social psychology (Greenwald and Banaji, 1995; Banaji and Greenwald, 2013), management (Ibarra *et al.*, 2013) and entrepreneurship (Swartz *et al.*, 2016b) must be combined to continue its development. Our research question is ‘How can we increase our understanding of second generation bias by viewing it from an interdisciplinary lens?’ In the first section of the paper, we explain the importance of negotiating term sheets for private equity from existing entrepreneurship research. We then consider the relationship between gender bias and negotiation by exploring findings from social psychology. Third, gender bias research in labor market economics is discussed followed by an examination of second-generation gender bias in employment law. We conclude with an interdisciplinary construction of a second generation bias framework that synthesizes diverse academic perspectives. Including the many influences around complex gender bias issues can facilitate a more productive conversation about solutions.

## **2. Understanding How Female Entrepreneurs Negotiate Term Sheets for External Equity Funding**

Two vantage points are emerging to explain the gender financing gap in the United States. The first argues that women are up against a number of structural and systemic impediments and researchers have been constructing an emerging picture of those impediments. Female-owned businesses comprised 36.3 percent of the non-farm, privately-held U.S. business population in 2012 (National Women’s Business Council, n.d.a.), generating \$1.4 trillion annually. Despite this growth, women receive a very small proportion of total external equity investment dollars compared to their male counterparts (Brush *et al.*, 2014; Robb and Coleman, 2009). Kauffman Foundation data show that women receive only three percent of equity financing through angel investments and venture capital

(Krause, 2016). Women appear to start their companies with half as much capital as men and are less likely to use external networks to access funding (Fetsch *et al.*, 2015). Brush *et al.* (2014) found firms with a woman on the executive team obtained 15 percent of all equity funding — up from five percent in 1999. Both female entrepreneur and investor respondents commented on the presence of gender bias in the venture capital industry.

Kanze *et al.* (2017) present compelling evidence that investors ask female entrepreneurs questions that differ from those posed to men. Using Regulatory Focus Theory (RFT) they focused on the question and answer portion of a well-known investor event to understand whether there was evidence of cognitive bias in communication with entrepreneurs. Their results suggest men were asked promotion-focused questions while women were posed prevention-focused questions.

In contrast, new research suggests that at least some of the differences between male and female entrepreneurs in the area of raising funding result from the choices and decisions of female entrepreneurs themselves (Poczter and Shapsis, 2017), suggesting that a change in how women present their entrepreneurial opportunities could produce different outcomes (Harvard Business Review, 2017; Balachandra *et al.*, 2013). The emerging data suggests that sex alone does not account for women performing less well in raising funding during pitch competitions (Poczter and Shapsis, 2017; Balachandra *et al.*, 2013) but that adoption of stereotypical behaviors associated with male entrepreneurs can lead to greater success (Balachandra *et al.*, 2013). Notwithstanding this emerging dialogue, it is critical for female entrepreneurs to finance growth companies with capital obtained under reasonable terms.

Given the low rates of participation by female entrepreneurs in obtaining equity funding, Swartz *et al.*, 2016a,b explored the experiences of those female entrepreneurs who *do* participate. Specifically, what strategies were effective? What challenges did female entrepreneurs experience? What negotiation styles and behaviors were problematic or advantageous when negotiating term sheets with angel investors or venture capital investors? The research approach included an online survey to learn the experiences of female entrepreneurs who attempted to obtain external equity funding. Data collection took place between 2010 and 2014 through conventional networks and social media sites. Descriptive analyses of the 39 respondents showed that female entrepreneurs were seeking to raise capital for startup and growth, including acquisitions. One quarter of the respondents was seeking less than \$500,000, while another quarter sought over \$10 million; the largest cohort of firms needed capital in the range of \$1 to \$5 million. Novice entrepreneurs constituted 33 percent of the sample; the remaining 67 percent had previously negotiated term sheets for private equity. At the time of completing the survey, more than 80 percent had raised equity, while the rest were either still in the process of negotiation or had walked away from a deal.

Regression analyses used models for negotiation outcomes for funding, retention of equity and satisfaction and provided an objective measure against which to compare qualitative data. Two key findings relate to this paper. First, it appears human capital matters a great deal when raising equity funding. In examining the relationship between the percentage funding raised, the characteristics of the entrepreneur, her firm and the

investor, older entrepreneurs and those launching either biotech or internet-related firms had a greater likelihood of raising most or all the required funding. Descriptive data also suggests that dealing with male investors did not appear to represent a disadvantage to women in the sample of whom 36 percent were over the age of 50 and 36 percent were in their forties. Most of the sample had experience in sales and marketing, including online marketing, and 29 percent had science or research and development backgrounds. Women with professional backgrounds in finance and accounting professions made up 23 percent of the sample. Second, strategies for successful negotiation emerged as conducting extensive internet research and including a male as a principal negotiator on the negotiating team. These two factors enabled entrepreneurs to raise at least 90 percent of the funding they were seeking.

This finding on human capital suggests the position women occupy in labor markets determines the type of company they build once they leave corporate life, as proposed by [Goffee and Scase \(1985\)](#) in their analysis of entrepreneurial women in the United Kingdom. Entrepreneurs' human capital determines the type of companies they can start and in high growth companies, those who have science and technology backgrounds are more likely to be successful negotiating for equity funding. The use of a male "surrogate" on negotiation teams suggests female entrepreneurs in the sample were expecting homophily, that they did not possess the requisite skills themselves or that they would not experience fair treatment without a man on the negotiation team. Homophily is the tendency for people to seek out others who are like them ([McPherson et al., 2001](#)).

### **3. Social Psychology, Gender Bias and Negotiation**

There is a well-established program of research on gender and negotiation in such fields as organizational behavior, psychology and conflict management ([Stuhlmacher and Walters, 1999](#); [Babcock and Laschever, 2003](#); [Riley and McGinn, 2002](#); [Brooks and Schweitzer, 2011](#)). [Babcock and Laschever \(2003\)](#) ushered gender and negotiation into the popular discourse, suggesting that women are more likely to settle for less optimal outcomes and that negotiation was a man's game with women less likely to push for higher salaries. There is some evidence for this in data from the Kauffman Foundation that reveal only 16 percent of women attempt to negotiate their own salaries ([Krause, 2016](#)). The issue is complex and influenced by many situational and psychological factors ([Bowles and Kray, 2013](#); [Brooks and Schweitzer, 2011](#); [Chen and Chen, 2012](#); [Eriksson and Sandberg, 2012](#); [Bowles and Flynn, 2010](#); [Kolb and McGinn, 2009](#); [Kolb and Williams, 2003](#)).

This complexity has led to researchers increasingly adopting a "gender-in-context" perspective. For instance, in the legal field, [Krieger \(2004\)](#) provides excellent examples of how empirical results from the field of psychology can and are used in specific legal cases to consider whether gender might have been a consideration in litigation decisions. [Bowles and Flynn \(2010\)](#) suggest women are highly attuned to the need to be discriminating in how to respond during social interaction, using either lower-status or assertive behaviors as befit the circumstances. [Deaux and LaFrance \(1998\)](#) find that women tend to modify their

behavior in line with the gender of their “opponent.” Women appear to be more aware of the need to reach out, bridge to opponents and be sensitive to situation cues. These behaviors are those typical of low-status actors in situations in which they lack control over outcomes and learning when it is appropriate to ask. Women finely modulate their speech patterns to the gender of their opponent during a disagreement, using more tentative (lower-status) speech patterns with male than with female opponents (Carli, 1990; Carli *et al.*, 1995). The outcome is that women are more successful with men during such interactions. Finally, Bowles and Flynn suggest that research on social interaction among children suggest that girls, more than boys, change their behavior to be more assertive when interacting with boys. Nonetheless, many obstacles remain. We know, from the field of linguistics, that a woman’s voice is perceived more negatively than a man’s (Sumner, 2015; Sumner *et al.*, 2013), vindicating the decision to have a male negotiator when it matters.

#### 4. The Roots and Process of Implicit Bias

Theories of implicit bias assume that conscious, explicit beliefs and intentions are not the sole influences on behavior. “Implicit biases are discriminatory biases based on implicit attitudes or implicit stereotypes” (Greenwald and Krieger, 2006) and can influence cognitive processes. Greenwald and Krieger (2006) contend that it is naïve to assume human actors are guided solely by their explicit beliefs. Implicit cognition recognizes that people do not always have conscious control over social perception, impression formation and judgement that ultimately influence how they act. Greenwald and Banaji (1995) define implicit attitudes as “introspectively identified (or inaccurately identified) traces of past experience that mediate favorable or unfavorable feeling, thought or action toward social objects” (Greenwald and Krieger, 2006). Dissociation can occur between explicitly stated and implicit attitudes based on gender, race, class and other categories. Such occurrences often reveal the impact of implicit attitudes and implicit stereotypes in cases of bias and discrimination. Recent research by Balachandra, featured in a Harvard Business Review article (Harvard Business Review, 2017) posits that, although gender alone does not determine success when pitching for funding from venture capitalists, behaviors stereotypically associated with women (emotional or expressive behaviors) are less likely to lead to success

“They don’t want to see particular behaviors, so if you’re overly emotional or expressive, you should consider practicing to avoid those things” (2017).

Social stereotypes arise when an association is made between a group in society and a particular trait. The association might be valid if, statistically, members of the group are more likely to display the trait, in which case the association might not even be considered a stereotype. More importantly, an inaccurate association might be made when a small percentage of a group displays a trait but the entire group is characterized as exhibiting the trait or behavior. Stereotypes can be based on positive or negative

assumptions about a social group. Stereotypes differ from attitudes and they have different outcomes. For stereotypes, the content of the trait is important, whereas for attitudes, the evaluative valence associated with the trait is important. Based on these insights, Fig. 1 illustrates how implicit attitudes and implicit stereotypes operate and influence behavior.

Implicit bias may occur based on gender, as with second generation gender bias, but also on race, ethnicity, age and religion (Greenwald and Banaji, 1995). These ‘blind spots’ can create flawed perceptual biases (Banaji and Greenwald, 2013). The negative consequences of stereotypes for women may include decreased representation in leadership positions and in STEM-related fields (Correll and MacKenzie, 2016). Implicit bias and negotiation are important in entrepreneurship because, although this research focused just on term sheet negotiation, the entrepreneurial process involves myriad opportunities for effective negotiation strategies with suppliers, customers, employees, etc.

Implicit gender-related bias can lead to decreased self-efficacy and confidence in one’s ability to perform a specific task (Bandura, 1997, 1977; Gist, 1987). This stereotype-type threat (Steele, 1997), which results in lower self-efficacy, in turn, may lead to gender-related underperformance as a ‘self-fulfilling prophesy.’ The relationship between self-efficacy and entrepreneurship has been explored regarding entrepreneurial intention (Wilson *et al.*, 2007), financial management (Amatucci and Crawley, 2011) and negotiation (Amatucci and Swartz, 2011).

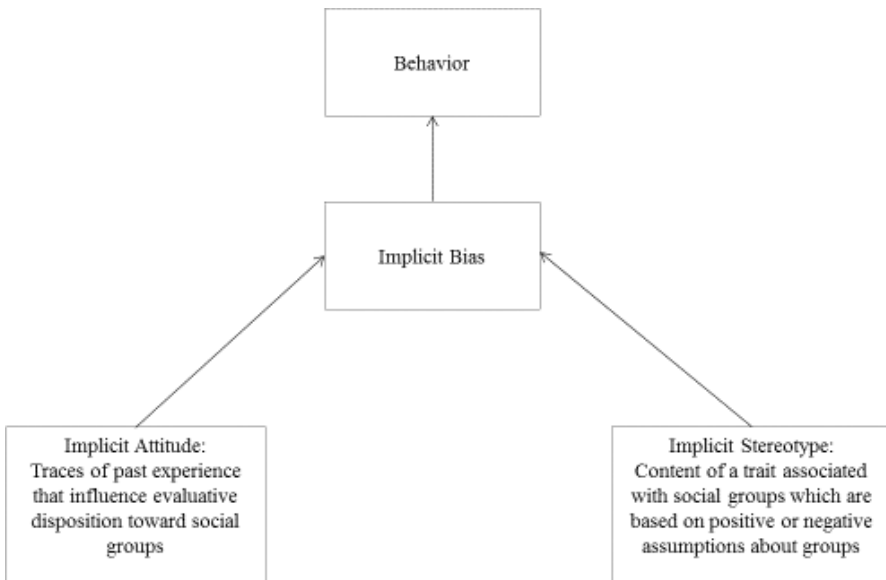


Fig. 1. Relationship of implicit attitudes, implicit stereotypes and implicit bias to behavior.



## 5. Labor Market Economics and Gender Bias

Early gender bias research focused on negotiation in the personal domain, considering whether and how women negotiate salary or job conditions. [Kazal-Thresher \(1990\)](#) analyzed the occupations and wages of thirteen cohorts of Stanford MBA students from 1973–1985, showing gender-related earnings differences even after allowing for hours worked, experience, unemployment and occupation. Being female was associated with slower wage growth and a negative impact on earnings. Salary negotiation can result in profound and life-long inequities if conducted ineffectively. U.S. Department of Labor data illustrates women’s median earnings in 1968 to be 58 percent of the earnings for men and that women’s educational achievements during the 1970s and 1980s helped to erase some of this inequality ([Blau and Khan, 2016](#)). However, the oft-cited statistic of median earnings for women being 77 cents compared to that for men is accurate, increasing to 79 cents by 2014 ([Blau and Khan, 2016](#)). Data from the Pew Research Trust ([Graf et al., 2017](#)) suggest median earnings for women in 2015 were 83 cents for each dollar earned by men. U.S. median earnings in 2014, when broken out into different ethnic groups, range from a high of 83.5 percent for Asian-Americans to 75.4 percent for White non-Hispanic women, to 60.5 percent for African-American women and 54.6 percent for Hispanic women. These data for the period 1987–2014 show that median earnings for Hispanic women in 2014 (\$39,428) represented a marginal decrease from 2013 (\$39,798), resulting in a median earnings ratio lower than the median for all women in 1968 ([Women’s Bureau of the U.S. Department of Labor, 2016](#)).

[Goldin \(2014\)](#) questions the use of median earnings as evidence for discrimination related to occupations that require specific types of education and work experience; human capital makes it necessary to compare “apples to apples.” Unfortunately, there is a lack of such earnings data by occupation. Few sources track data on gender for specific industries and, in cases where they are tracked, other associated variables are needed to conduct analyses. Evidence exists for only one U.S. industry where the male–female wage disparity appears to be changing — professionally educated pharmacists — where [Goldin and Katz \(2016\)](#) find no evidence of outright discrimination. They conclude that the best that can be done is to research specific occupations to uncover how wage discrimination mechanisms have worked.

Some earnings differentials may occur because of actions by women themselves. Even when women have the power to do otherwise, they continue to pay themselves less. A survey of participants in the Goldman Sachs 10,000 Small Business Program showed female entrepreneurs paid themselves 20 percent less than their male peers ([Mandelbaum, 2014](#)). As described earlier, implicit bias, stereotype threat and low self-efficacy may help explain this phenomenon.

[Blau and Khan \(2016\)](#) argue that for the 1980–2010 period, gender differences in occupation and industry continued to be more important than other human capital variables in explaining the gender wage gap. However, they acknowledge that psychological and other non-cognitive skills as a “newer” explanation contribute a “moderate” portion of the pay gap. [Krieger \(2004\)](#) explores these differences in her work on how situational and

contextual factors influence behavior on the part of women as well as the managers and judges who sit in judgment during discrimination litigation.

Jacobsen *et al.* (2015) suggest that time allocation in labor markets, in addition to human capital, structural changes and social norms, combine to explain differential labor outcomes. Using 50 years of data (1964–2013), these authors estimate that men worked an average of 200 hours per year more than women. Wage discrimination begins as women move “up the ladder” following entry-level jobs. Ascending the ladder coincides with having children and requiring greater “temporal flexibility” about where and when work can be performed, with women more likely to seek such accommodations (Goldin and Katz, 2011). Temporal flexibility carries a care tax (Slaughter, 2015) which might explain gendered career choices, including becoming a business owner. Even female professionals in well-compensated fields (finance, law, or science) are unable to satisfy the disproportionate physical work presence demanded of senior professionals once they have children. According to Goldin

“Quite simply, the gap exists because hours of work in many occupations are worth more when given at particular moments and when the hours are more continuous” (2014).

Therefore, it is unsurprising that the biggest wage differentials occur in professions such as corporate roles, typically in finance, where the human capital associated with one individual is not easily substituted (Goldin and Katz, 2011). The smallest wage differentials occur in science, technology and healthcare fields. Goldin (2013) posits a “pollution” theory of discrimination in which there is asymmetric information regarding the value of an individual woman in a new occupation. Asymmetry arises from “incomplete information by those who confer prestige on workers and the group who confers prestige is society... .” (Goldin, 2013). Incomplete information implies “illegitimacy” because of the societal view of the fit of a woman in an occupation previously dominated by males. Goldin’s (2013) model predicts a “female” median: all occupations requiring specific productivity characteristics higher than that median will be segregated by sex and below it will be integrated.

The wage gap persists because of multiple factors: time allocation in labor markets, subtle discrimination in some fields, assumptions regarding the role of women, the apparent lack of bargaining by women themselves and finally, differential standards for the promotion of women. Finally, elements of the wage gap also remain because of assumptions about women’s fit for certain roles given their incorporation into labor markets.

## **6. Employment Law and Second Generation Gender Bias**

The concept of second generation bias (Sturm, 2001) originated in the literature on discrimination and the impact of U.S. civil rights legislation in curtailing discrimination. The concept spilled over into the gender and organization development literature (Ibarra *et al.*, 2013) and is beginning to reach the field of women and entrepreneurship (Swartz *et al.*, 2016b).

Prior to legislative action, discrimination and bias involved the overt exclusion of women and minorities, segregated job opportunities, conscious stereotyping, dominance in a workplace by an individual who excludes women and minorities, and the use of job requirements that segregated occupations (Sturm, 2001). These practices were legal until

Table 1. An interdisciplinary deconstruction of second-generation gender bias.

Discipline	Authors	Primary Themes
Entrepreneurship/ Management	Kanze <i>et al.</i> (2017) Poczter and Shapsis (2017) Author <i>et al.</i> (2016a, 2016b) Ibarra <i>et al.</i> (2013) Balachandra <i>et al.</i> (2013) Brush <i>et al.</i> (2014) Krause (2016) Slaughter (2015)	Gender bias in the questions that investors ask entrepreneurs Differences between male and female in raising funding come from female entrepreneurs choices and decisions Presence of second-generation bias in term sheet negotiation Second-generation bias as a barrier for women’s leadership development Gender and related stereotypes influence investor perceptions Presence of gender bias in the venture capital industry Low levels of equity funding obtained by women “Care tax”
Social psychology	Banaji and Greenwald (2013) Greenwald and Banaji (1995) Steele (1997) Sumner (2015)	“Blindspots” create unconscious flawed perceptions Implicit or unconscious bias Role of stereotype threat Female voice perceived more negatively than male voice
Labor market economics	Blau and Khan (2016) Goldin (2013, 2014) Goldin and Katz (2011, 2016) Mandelbaum (2014) Jacobsen <i>et al.</i> (2015)	Women paid less for comparable work in most U.S. industries — median is 79 cents Pollution theory of discrimination; Grand convergence between males and females Human capital requires comparison of wage gap within industries “Temporal flexibility” also factor in explaining wage gap; Gender gap in median wages Time allocation in labor markets, social assumptions contribute to wage gap
Employment law	Sturm (2001) Murphy (1970) Krieger (2004) Greenwald and Krieger (2006)	Anti-bias efforts post landmark civil rights legislation leads to structural and compliance approaches to managing discrimination in workplaces, perversely sometime leading to lack of addressing second-generation bias. The courts and judges use definitions of bias that lack understanding of modern forms of gender bias

the passing of the Equal Pay Act of 1963 and the 1964 Civil Rights Act which, under Title VII, prohibited employers from discriminating against employees based on sex, race, color, national origin and religion (Krieger, 2004). Murphy (1970) commented that the roots of sex discrimination are far more insidious than even discrimination based on race or ethnicity.

“When federal legislation to correct this imbalance was proposed, congressional opposition took many forms, but underlying all the disguising rhetoric, fashioned with euphemistic “legal” and “constitutional” terminology, there seemed to be a fairly representative attitude amongst males that “women are more prone to homemaking and motherhood than men” (1970).

The above quotation hailed from a member of the U.S. House Committee on Education and Labor. Today explicit expression of such assumptions is rare but still co-exists with explicitly stated egalitarian ones. Second generation bias, whether with respect to race or gender, is manifest in subtle ways, inhering in organizational cultures, beliefs and practices. The nomenclature of “a second generation” does not imply a sequential evolution of bias but rather a careful avoidance of overt discrimination without questioning underlying decision processes that entrench bias, stereotyping and unequal access.

Civil rights legislation has not solved all issues of bias (Krieger, 2004). Many legal outcomes are left to courts and judges, who function as “intuitive psychologists” in their interpretation of discrimination, using inaccurate and outdated assumptions about inter-group relations.

“Unlike actual research psychologists, the courts and the judges who staff them often use definitions of discrimination that are inadequate to address many modern forms of gender bias” (2004).

Discriminatory acts can be sparked by circumstances. Krieger (2004) argues that social psychology shows that explicit, egalitarian attitudes influence people when they engage in deliberative thought. When behavioral responses are spontaneous, and when people lack the opportunity or motivation to deliberate over a decision, implicit attitudes tend to play a more dominant role. Dual attitudes co-exist and our unconscious biases are important factors that shape decisions. A summary of the research discussed in the previous sections is provided in Table 1.

## **7. Discussion**

This paper seeks to increase our understanding of second generation gender bias by using an interdisciplinary lens. Our research question was how such a lens can increase our understanding of second generation gender bias. We believe an interdisciplinary lens augments our understanding by including new insights. Including perspectives from management, labor economics and employment law reveals the structural nature of the wage gap and its persistence. We suggest the wage gap is affected by both explicit and

implicit forms of bias that produce organizational environments in which second generation gender bias thrives. Many obstacles remain to women’s representation on the supply and demand side of equity capital, while explicit bias and implicit bias continue to hamper women’s careers in the corporate and entrepreneurial fields. These perspectives now lead us to frame an interdisciplinary view of second generation gender bias.

Drawing from the literature we have reviewed and summarized in Table 1, we present the framework in Fig. 2 as a research agenda for the concept of second generation gender bias. Moving from the explicit to the implicit, Fig. 2 displays the elements as discussed earlier in the paper. Lines are porous to illustrate movement across boundaries, based on greater understanding of salient issues; alternatively, movement can also occur when setbacks occur, particularly during periods of social and political change.

Assumptions about the role of women reside at the heart of the second generation gender bias framework. Societal assumptions are taken for granted and surface at times of change or crisis, as evident in Murphy’s quotation earlier. The most explicit aspect of the framework is the wage gap and the story it tells about human capital development. Labor economists have made contributions in noting the changes in the wage gap in general, and for specific industries. The wage gap is structural and its “sorting” effects are far-reaching and corralling female entrepreneurs into specific industries and sectors (Mayer, 2008). This sorting effect is evident even for the growth companies women start. The entrepreneurship literature lacks a coherent incorporation of the wage gap on human capital accumulation despite recent exciting approaches (Ployhart *et al.*, 2014). Explicit gender bias has been

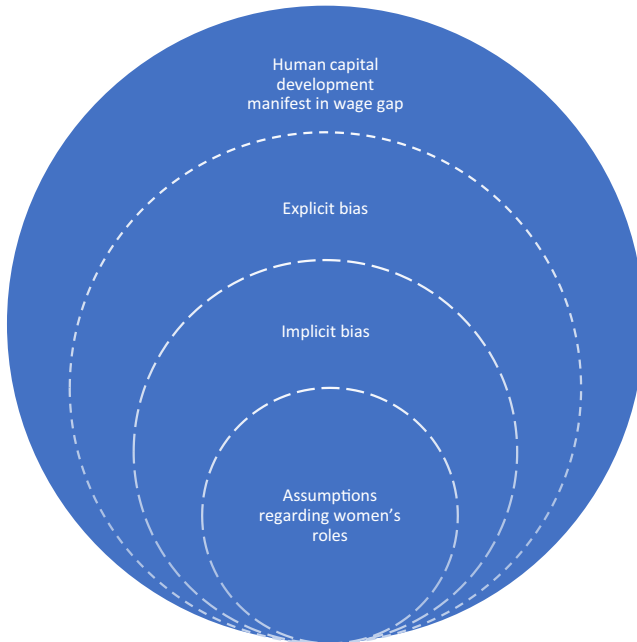


Fig. 2. Second generation gender bias model.

partially curbed through civil rights legislation. Legal scholars, such as [Krieger \(2004\)](#) and [Sturm \(2001\)](#), have contributed to our understanding of second generation gender bias issues while implicit gender bias permeates organizational (and personal) cultures, beliefs and practices. Furthermore, these phenomena co-exist and create complex stages on which entrepreneurs perform. We must consider the effect of the wage gap on human capital accumulation and the implication for women's entrepreneurship.

## **8. Conclusion and Policy Recommendations**

There is an emerging dialogue about the underlying causes of disparities in equity funding for female-owned growth companies in the United States. A fuller understanding of those causes will emerge from interdisciplinary research and an explicit framework that unveils second generation gender bias. Entrepreneurship and management scholars have begun to explore what second generation gender bias means and those efforts have to incorporate legal rulings, research in employment law, empirical research from labor economics and experimental social psychological research. The construct of "second generation gender bias" ([Ibarra et al., 2013](#)) marks only the beginning of our efforts to understand the structural underpinnings that result in the outcomes in funding for female entrepreneurs. Clarifying the structural underpinnings of second generation gender bias would also help female managers in corporations understand their circuitous paths to leadership roles.

In considering policy recommendations to address the issue of the wage gap and its impact on entrepreneurship, at the regulatory level, we advocate for financial incentives such as tax subsidies for companies that invest in employment opportunities for women in STEM and information technology related companies. Government incentives should be offered to corporations that adopt training and development programs to increase awareness of second generation gender bias, including a focus on sexual harassment, unconscious bias and ethics. Public policy measures directed at accelerating the narrowing of the gender-related wage gap in the United States, as we have seen at the state level in Massachusetts and California, can address some of the obstacles women experience with respect to career and financial advancement. Both these states have made it illegal to ask about salary history during job interviews, a practice that is recognized as depressing earnings of women ([Lax, 2017](#)). Additionally, fiscal measures that encourage investment in female-owned high growth enterprises could also address the lag in ownership by female entrepreneurs in certain sectors. Finally, in adopting a more open perspective on addressing inclusivity, we suggest borrowing from the idea of an "inclusion rider" to be incorporated into term sheets for companies funded by progressive external equity capital groups — this term has recently been popularized in Hollywood but originated from work done by a civil rights and labor lawyer, attempting to negotiate on behalf of the working poor in the United States ([Schneier, 2018](#); [Kotagal, 2018](#)). Greater awareness about the funding gap for women and minority entrepreneurs has inspired the rise of new angel groups (Pipeline Angels, Golden Seeds, etc.), a coalition of founders calling for diversity in venture capital and technology startups ([Tam, 2018](#)), and a new Crunchbase ranking of

venture capital companies that invest in female founders. It would appear that change has started in the industry itself, driven by entrepreneurs themselves. These social changes might well be auguries of progress for women entrepreneurs as they seek to build growth companies.

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