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TESIS DOCTORAL/ DOCTORAL DISSERTATION

TRES ENSAYOS SOBRE LAS MÚLTIPLES DIMENSIONES DE LA MOVILIDAD Y EL ESPÍRITU EMPRENDEDOR/

THREE ESSAYS ON MULTIPLE DIMENSIONS OF MOBILITY AND ENTREPRENEURSHIP

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ABSTRACT

Entrepreneurship does not occur in isolation but unfolds within broader and evolving structural contexts. While prior research has emphasized the influence of family, organizations, and institutions on entrepreneurial behavior, it has often treated such contexts as static. Yet, individuals' environments are inherently dynamic, shaped by ongoing transitions in their geographic locations, social standings, and occupational roles. These forms of mobility alter access to resources, risk preferences, and career trajectories, thereby reshaping entrepreneurial motivations and outcomes. Despite growing recognition that mobility influences individual agency and decision-making, research has largely overlooked how mobility-induced transformations shape entrepreneurial engagement and success.

This dissertation addresses this gap by examining entrepreneurship through the lens of multi-dimensional mobility. Drawing on migration studies, social mobility research, and labor market theories, it comprises three interrelated essays. The first investigates how immigrant entrepreneurs navigate transnational family responsibilities and how this dynamic affects venture performance, emphasizing the role of geographic mobility. The second explores how intergenerational downward mobility influences entrepreneurial entry, conceptualizing entrepreneurship as a status-restoration response to social mobility challenges. The third examines career transitions after entrepreneurship, focusing on how different forms of entrepreneurial human capital (i.e., generalist versus specialist)

affect reemployment prospects within organizations, contributing to research on occupational mobility.

Together, these essays conceptualize entrepreneurship as both a consequence of and a response to shifting mobility trajectories. By integrating geographic, social, and occupational dimensions of mobility, the dissertation advances a dynamic understanding of entrepreneurship that bridges structural and individual perspectives, highlighting how individuals adapt their entrepreneurial paths to evolving social and economic environments.

RESUMEN

El espíritu emprendedor no surge de forma aislada, sino que se desarrolla en contextos estructurales más amplios y en constante evolución. Si bien las investigaciones anteriores han hecho hincapié en la influencia de la familia, las organizaciones y las instituciones en el comportamiento emprendedor, a menudo han tratado estos contextos como algo estático. Sin embargo, el entorno de las personas es intrínsecamente dinámico, ya que está determinado por las continuas transiciones en su ubicación geográfica, su posición social y sus funciones profesionales. Estas formas de movilidad alteran el acceso a los recursos, las preferencias de riesgo y las trayectorias profesionales, lo que modifica las motivaciones y los resultados emprendedores. A pesar del creciente reconocimiento de que la movilidad influye en la capacidad de acción y la toma de decisiones de las personas, las investigaciones han pasado por alto en gran medida cómo las transformaciones inducidas por la movilidad configuran el compromiso y el éxito emprendedor.

Esta tesis aborda esta laguna examinando el espíritu emprendedor desde la perspectiva de la movilidad multidimensional. Basándose en estudios sobre migración, investigaciones sobre movilidad social y teorías del mercado laboral, comprende tres ensayos interrelacionados. El primero investiga cómo los emprendedores inmigrantes gestionan las responsabilidades familiares transnacionales y cómo esta dinámica afecta al rendimiento de las empresas, haciendo hincapié en el papel de la movilidad geográfica. El segundo explora cómo la movilidad intergeneracional descendente influye en la entrada en el mundo empresarial, conceptualizando el espíritu emprendedor como una respuesta de restauración del estatus ante los retos de la movilidad social. El tercero examina las transiciones profesionales tras el emprendimiento, centrándose en cómo las diferentes formas de capital humano emprendedor (es decir, generalista frente a especialista) afectan a las perspectivas de reempleo dentro de las organizaciones, contribuyendo a la investigación sobre la movilidad ocupacional.

En conjunto, estos ensayos conceptualizan el emprendimiento como una consecuencia y una respuesta a las trayectorias cambiantes de la movilidad. Al integrar las dimensiones geográficas, sociales y ocupacionales de la movilidad, la tesis promueve una comprensión dinámica del emprendimiento que tiende un puente entre las perspectivas estructurales e individuales, destacando cómo las personas adaptan sus trayectorias emprendedoras a los entornos sociales y económicos en evolución.

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INTRODUCTION

Entrepreneurship does not occur in isolation; rather, it unfolds within broader structural contexts that are constantly evolving (Stuart & Sorenson, 2005; Sorenson & Audia, 2000). While prior research has extensively examined the effects of contextual factors-such as family, organizations, and social structures-on entrepreneurial decisions and outcomes (Aldrich & Cliff, 2003; De Clercq et al., 2013; Sorenson, 2007), these studies often conceptualize the influence of environment as static, focusing on how economic, social, and institutional conditions at a given point in time shape entrepreneurial process. However, the environments in which individuals operate are inherently dynamic, due to continuous transitions in individuals' geographic locations, family structures, social standings, and organizational roles (Anderson et al., 1981 Boyle, Halfacree, & Robinson, 2014). Prior research suggests that these shifts may introduce both opportunities and constraints, ultimately shaping individuals' access to resources, risk preference, and career trajectories (Kish-Gephart & Cambell, 2015; Martin & Cote, 2019; Phillips et al., 2020). As such, it is reasonable to expect that as individuals navigate these shifting landscapes, their entrepreneurial motivations, strategies, and behaviors are adapted to evolving circumstances accordingly (Portes et al., 2002; Sorenson & Sharkey, 2014). Yet, despite the growing recognition in recent research that mobility influences individual agency and decision-making (Phillips et al., 2020; Martin & Harrison, 2022), existing research has largely overlooked how mobility-induced transformation influences

entrepreneurial engagement and outcomes. This dissertation addresses this gap by investigating how individuals seek entrepreneurship as a response to different dimensions of mobility and how these mobility experiences, in turn, shape their entrepreneurial trajectories and success.

Drawing from migration studies, social mobility research, and labor market theories (Bird & Wennberg, 2016; Kurer and Staalduinen, 2022; Lazear, 2004), this dissertation consists of three interrelated essays that examine entrepreneurship through the lens of multi-dimensional mobility. The first chapter explores how immigrant entrepreneurs navigate transnational family responsibilities and their impact on business performance, highlighting the role of geographic mobility in shaping entrepreneurial outcomes. The second chapter investigates how intergenerational downward mobility influences the decision to pursue entrepreneurship, conceptualizing entrepreneurship as a status restoration mechanism in response to social mobility challenges. The third chapter examines post-entrepreneurial career transitions, focusing on how different types of entrepreneurial human capital (generalist vs. specialist) affect reemployment prospects in traditional organizations, contributing to the literature on organizational mobility. By integrating these three dimensions of mobility, this dissertation provides a nuanced perspective on entrepreneurship as both a consequence of and a response to various forms of mobilities.

INTRODUCCIÓN

El espíritu emprendedor no surge de forma aislada, sino que se desarrolla en contextos estructurales más amplios que están en constante evolución (Stuart y Sorenson, 2005; Sorenson y Audia, 2000). Si bien investigaciones anteriores han examinado exhaustivamente los efectos de factores contextuales —como la familia, las organizaciones y las estructuras sociales— en las decisiones y los resultados empresariales (Aldrich y Cliff, 2003; De Clercq et al., 2013; Sorenson, 2007), estos estudios suelen conceptualizar la influencia del entorno como algo estático, centrándose en cómo las condiciones económicas, sociales e institucionales en un momento dado configuran el proceso empresarial. Sin embargo, los entornos en los que operan los individuos son intrínsecamente dinámicos, debido a las continuas transiciones en la ubicación geográfica, las estructuras familiares, la posición social y las funciones organizativas de los individuos (Anderson et al., 1981; Boyle, Halfacree y Robinson, 2014). Investigaciones anteriores sugieren que estos cambios pueden introducir tanto oportunidades como limitaciones, lo que en última instancia determina el acceso de las personas a los recursos, su preferencia por el riesgo y su trayectoria profesional (Kish-Gephart y Cambell, 2015; Martin y Cote, 2019; Phillips et al., 2020). Por lo tanto, es razonable esperar que, a medida que las personas se enfrentan a estos cambios, sus motivaciones, estrategias y comportamientos empresariales se adapten a las circunstancias cambiantes (Portes et al., 2002; Sorenson y Sharkey, 2014). Sin embargo, a pesar del creciente reconocimiento en

investigaciones recientes de que la movilidad influye en la agencia individual y la toma de decisiones (Phillips et al., 2020; Martin y Harrison, 2022), las investigaciones existentes han pasado por alto en gran medida cómo la transformación inducida por la movilidad influye en el compromiso y los resultados empresariales. Esta tesis aborda esta laguna investigando cómo las personas buscan el emprendimiento como respuesta a diferentes dimensiones de la movilidad y cómo estas experiencias de movilidad, a su vez, dan forma a sus trayectorias y éxitos empresariales.

Basándose en estudios sobre migración, investigaciones sobre movilidad social y teorías del mercado laboral (Bird y Wennberg, 2016; Kurer y Staalduinen, 2022; Lazear, 2004), esta tesis doctoral consta de tres ensayos interrelacionados que examinan el emprendimiento desde la perspectiva de la movilidad multidimensional. El primer capítulo explora cómo los emprendedores inmigrantes gestionan las responsabilidades familiares transnacionales y su impacto en el rendimiento empresarial, destacando el papel de la movilidad geográfica en la configuración de los resultados empresariales. El segundo capítulo investiga cómo la movilidad intergeneracional descendente influye en la decisión de emprender, conceptualizando el emprendimiento como un mecanismo de restauración del estatus en respuesta a los retos de la movilidad social. El tercer capítulo examina las transiciones profesionales posteriores al emprendimiento, centrándose en cómo los diferentes tipos de capital humano emprendedor (generalista frente a especialista) afectan a las perspectivas de reempleo en las organizaciones tradicionales, contribuyendo a la literatura sobre movilidad organizacional. Al

integrar estas tres dimensiones de la movilidad, esta tesis doctoral ofrece una perspectiva matizada sobre el emprendimiento como consecuencia y respuesta a diversas formas de movilidad.

Overview of the Dissertation

Chapter 1: My Business or My Family: The Role of Family Responsibility in Immigrant Entrepreneurs' Business Success

Migration represents one of the most significant forms of mobility, reshaping individuals' economic and social environments. While prior research has extensively examined how immigrant entrepreneurs leverage family support (Bird & Wennberg, 2016; Sanders & Nee, 1996), less attention has been paid to the bidirectional relationship between family and business in the context of transnational family embeddedness. Immigrant entrepreneurs often face dual family obligations in both their home and host countries, creating a distinctive system of family responsibility that simultaneously supports and constrains their entrepreneurial activities.

In this chapter, we examine how family responsibility affects immigrant entrepreneurial performance, distinguishing between home-country family dependence and host-country family dependence. Drawing upon the family embeddedness perspective (Aldrich & Cliff, 2003) and insights from work-family interface literature (Greenhaus & Beutell, 1985; Rothbard, 2001), we argue that high family responsibility can negatively impact venture performance by increasing

role conflict and financial strain. However, when host-country family dependence is high, it may counterbalance the pressures from home-country family obligations, creating a buffering effect.

Using a unique dataset of 334 immigrant entrepreneurs across Spain, Italy, France, and the UK, we find that high family responsibility is associated with lower venture performance due to intensified family-business conflict. However, the negative effect of home-country dependence diminishes when host-country family dependence increases, suggesting that immigrant entrepreneurs with stronger family ties in their host country are better positioned to mitigate family-induced constraints. Follow-up in-depth interviews with 32 immigrant entrepreneurs further validate these findings. This study contributes to the literature on family embeddedness, immigrant entrepreneurship, and transnational networks, highlighting the dual impact of family as both a resource and a constraint in entrepreneurship.

Chapter 2: Falling to Rise: Intergenerational Downward Mobility and Entrepreneurship

Entrepreneurship is often associated with economic and social mobility, yet existing research primarily focuses on how entrepreneurship enables upward mobility (Alvarez & Barney, 2014; Bruton et al., 2013; Rider et al., 2023). In contrast, less is known about how intergenerational downward mobility influences entrepreneurial processes. Economic stagnation, labor market shifts, and credential devaluation have made it increasingly difficult for individuals to maintain,

let alone surpass, their parents' social status. While prior studies suggest that downward mobility affects psychological well-being and political behaviors (Breen & Jonsson, 2005; Phillips, Martin, et al., 2020; Phillips, Stephens, et al., 2020), its impact on economic decision-making, particularly entrepreneurial entry, remains underexplored.

In this chapter, following Kurer and Staalduinen (2022), we conceptualize downward intergenerational mobility as negative status discordance, defined as a decline in one's occupational status relative to parental expectations. We theorize that individuals experiencing status loss are more likely to engage in entrepreneurship as a means of status restoration. Specifically, we argue that downwardly mobile individuals seek to regain lost status through entrepreneurial endeavors, leveraging potential financial success, autonomy, and social recognition as compensatory mechanisms.

Using nationally representative Chinese panel data (2010–2018), I find robust empirical support for the hypothesis that individuals experiencing downward mobility are significantly more likely to enter entrepreneurship compared to those with stable or upward mobility trajectories. Additionally, I examine how gender and urban versus rural residency moderate this effect, given that structural constraints and social expectations may shape the extent to which downward mobility influences entrepreneurial entry. This study contributes to the literature on entrepreneurial motivation, status-based decision-making, and social mobility, providing novel insights into how psychological and sociological factors drive entrepreneurial behavior.

Chapter 3: Are All Former Entrepreneurs Penalized Equally? How Entrepreneurial Skill Sets Influence Labor Market Outcomes

Entrepreneurship is often perceived as a deviation from traditional employment, but many entrepreneurs eventually seek reemployment in wage employment. The literature on entrepreneurial experience as penalties suggests that former entrepreneurs face hiring discrimination due to concerns about overqualification, adaptability, and organizational fit (Kacperczyk, 2013; Burton et al., 2016). However, little is known about whether the nature of entrepreneurial human capital (i.e., generalist versus specialist) differentially affects employers' perceptions.

This chapter examines how different types of entrepreneurial skill sets influence post-entrepreneurial labor market outcomes. I distinguish between generalist entrepreneurs, who develop broad, cross-functional skills (e.g., finance, marketing, operations) and specialist entrepreneurs, who accumulate domain-specific expertise in areas relevant to future employment. Drawing on theory of jack-of-all-trades (Lazear, 2004) and social categorization theory (Hsu, 2006; Zuckerman et al., 2003), I hypothesize that specialist entrepreneurs are more likely to be favorably perceived by employers compared to generalist entrepreneurs, as their skills align more closely with traditional organizational roles.

To test these hypotheses, I conducted a field experiment in the Chinese labor market, submitting 1,200 job applications across two occupational sectors. The results reveal that generalist entrepreneurs experience significantly lower

callback rates than specialist entrepreneurs, who perform on par with control group applicants. These findings contribute to entrepreneurial labor market research by demonstrating that entrepreneurial penalties are not uniform but rather contingent upon the type of skills developed during entrepreneurship.

Resumen de la tesis

Capítulo 1: Mi negocio o mi familia: el papel de la responsabilidad familiar en el éxito empresarial de los inmigrantes

La migración representa una de las formas más significativas de movilidad, ya que transforma el entorno económico y social de las personas. Si bien investigaciones anteriores han examinado ampliamente cómo los emprendedores inmigrantes aprovechan el apoyo familiar (Bird y Wennberg, 2016; Sanders y Nee, 1996), se ha prestado menos atención a la relación bidireccional entre la familia y la empresa en el contexto de la integración familiar transnacional. Los emprendedores inmigrantes a menudo se enfrentan a una doble obligación familiar, tanto en su país de origen como en el de acogida, lo que crea un sistema distintivo de responsabilidad familiar que, al mismo tiempo, apoya y limita sus actividades empresariales.

En este capítulo, examinamos cómo la responsabilidad familiar afecta al rendimiento empresarial de los inmigrantes, distinguiendo entre la dependencia familiar en el país de origen y la dependencia familiar en el país de acogida. Basándonos en la perspectiva de la integración familiar (Aldrich y Cliff, 2003) y en

las ideas de la literatura sobre la interfaz entre el trabajo y la familia (Greenhaus y Beutell, 1985; Rothbard, 2001), argumentamos que una alta responsabilidad familiar puede afectar negativamente al rendimiento de la empresa al aumentar el conflicto de roles y la tensión financiera. Sin embargo, cuando la dependencia de la familia en el país de acogida es alta, puede contrarrestar las presiones de las obligaciones familiares en el país de origen, creando un efecto amortiguador.

Utilizando un conjunto de datos único de 334 empresarios inmigrantes en España, Italia, Francia y el Reino Unido, encontramos que una alta responsabilidad familiar se asocia con un menor rendimiento empresarial debido a la intensificación del conflicto entre la familia y la empresa. Sin embargo, el efecto negativo de la dependencia del país de origen disminuye cuando aumenta la dependencia de la familia en el país de acogida, lo que sugiere que los empresarios inmigrantes con vínculos familiares más fuertes en su país de acogida están en mejores condiciones para mitigar las limitaciones inducidas por la familia. Las entrevistas en profundidad realizadas a 32 empresarios inmigrantes validan aún más estos resultados. Este estudio contribuye a la literatura sobre la integración familiar, el emprendimiento inmigrante y las redes transnacionales, destacando el doble impacto de la familia como recurso y como limitación en el emprendimiento.

Capítulo 2: Caer para levantarse: movilidad descendente intergeneracional y espíritu emprendedor

El espíritu emprendedor se asocia a menudo con la movilidad económica y social, pero las investigaciones existentes se centran principalmente en cómo el espíritu emprendedor permite la movilidad ascendente (Alvarez y Barney, 2014; Bruton et al., 2013; Rider et al., 2023). Por el contrario, se sabe menos sobre cómo la movilidad descendente intergeneracional influye en los procesos emprendedores. El estancamiento económico, los cambios en el mercado laboral y la devaluación de las credenciales han hecho que sea cada vez más difícil para las personas mantener, y mucho menos superar, el estatus social de sus padres. Si bien estudios anteriores sugieren que la movilidad descendente afecta al bienestar psicológico y a los comportamientos políticos (Breen y Jonsson, 2005; Phillips, Martin, et al., 2020; Phillips, Stephens, et al., 2020), su impacto en la toma de decisiones económicas, en particular en la entrada en el mundo empresarial, sigue sin estar suficientemente estudiado.

En este capítulo, siguiendo a Kurer y Staalduinen (2022), conceptualizamos la movilidad intergeneracional descendente como una discordancia de estatus negativa, definida como una disminución del estatus profesional de una persona en relación con las expectativas de sus padres. Nuestra teoría es que las personas que experimentan una pérdida de estatus son más propensas a emprender como medio para restaurar su estatus. Concretamente, argumentamos que las personas que experimentan una movilidad descendente buscan recuperar el estatus perdido a través de iniciativas empresariales, aprovechando el potencial éxito financiero, la autonomía y el reconocimiento social como mecanismos compensatorios.

Utilizando datos de panel representativos a nivel nacional de China (2010-2018), encuentro un sólido apoyo empírico a la hipótesis de que las personas que experimentan una movilidad descendente son significativamente más propensas a emprender que aquellas con trayectorias de movilidad estables o ascendentes. Además, examino cómo el género y la residencia urbana frente a la rural moderan este efecto, dado que las limitaciones estructurales y las expectativas sociales pueden determinar en qué medida la movilidad descendente influye en la entrada en el mundo empresarial. Este estudio contribuye a la literatura sobre la motivación empresarial, la toma de decisiones basada en el estatus y la movilidad social, y ofrece nuevas perspectivas sobre cómo los factores psicológicos y sociológicos impulsan el comportamiento empresarial.

Capítulo 3: ¿Se penaliza por igual a todos los antiguos emprendedores? Cómo influyen las habilidades emprendedoras en los resultados del mercado laboral

El emprendimiento se percibe a menudo como una desviación del empleo tradicional, pero muchos emprendedores acaban buscando volver a trabajar por cuenta ajena. La bibliografía sobre la experiencia empresarial como penalización sugiere que los antiguos emprendedores se enfrentan a discriminación en la contratación debido a preocupaciones sobre su sobrecualificación, adaptabilidad e idoneidad para la organización (Kacperczyk, 2013; Burton et al., 2016). Sin embargo, se sabe poco sobre si la naturaleza del capital humano empresarial (es decir, generalista frente a especialista) afecta de manera diferente a las percepciones de los empleadores.

En este capítulo se examina cómo los diferentes tipos de habilidades empresariales influyen en los resultados del mercado laboral tras la experiencia empresarial. Distingo entre empresarios generalistas, que desarrollan habilidades amplias y multifuncionales (por ejemplo, finanzas, marketing, operaciones), y empresarios especialistas, que acumulan conocimientos específicos en áreas relevantes para el empleo futuro. Basándome en la teoría del «aprendiz de todo» (Lazear, 2004) y la teoría de la categorización social (Hsu, 2006; Zuckerman et al., 2003), planteo la hipótesis de que los emprendedores especialistas son más propensos a ser percibidos favorablemente por los empleadores en comparación con los emprendedores generalistas, ya que sus habilidades se ajustan más a las funciones organizativas tradicionales.

Para comprobar estas hipótesis, realicé un experimento de campo en el mercado laboral chino, presentando 1200 solicitudes de empleo en dos sectores profesionales. Los resultados revelan que los emprendedores generalistas experimentan tasas de respuesta significativamente más bajas que los emprendedores especializados, que obtienen resultados similares a los de los solicitantes del grupo de control. Estos hallazgos contribuyen a la investigación sobre el mercado laboral emprendedor al demostrar que las penalizaciones emprendedoras no son uniformes, sino que dependen del tipo de habilidades desarrolladas durante la actividad emprendedora.

CHAPTER 1

My Business or My Family: The Role of Family Responsibility in Immigrant Entrepreneurs' Business Success

ABSTRACT

While prior research highlights the role of entrepreneurship in facilitating the economic and social integration of immigrants and their families, studies on immigrant entrepreneurship have predominantly focused on the support families provide to businesses, paying less attention to the reciprocal relationship between family and business. Drawing on the family embeddedness perspective and insights from work-family literature, we investigate how family responsibility affects entrepreneurial outcomes through two different mechanisms-facilitation and constraint. We further focus on a key characteristic of immigrant entrepreneurs' family embeddedness, which spans both home and host countries, thereby creating a distinctive system of family responsibility. We propose that this dual embeddedness simultaneously generates pressures and support from families in both home and host countries, wherein their interaction influences entrepreneurial outcomes. Using unique data on 334 immigrant entrepreneurs across Spain, Italy, France, and the UK, we find that a higher level of family responsibility is associated with a decline in venture performance as it intensifies family-business conflict. However, the negative effect of home country family dependence diminishes as host country family dependence increases. Follow-up in-depth interviews of 32

immigrant entrepreneurs further validate our results. The findings have implications for research on family embeddedness and immigrant entrepreneurship literature.

Keywords Immigrant entrepreneurship; Family embeddedness; Family-business interface; Family responsibility; Entrepreneurial success

INTRODUCTION

"*I came through Barcelona. I spent two years there, but I can tell you that it didn't go very well because the language was a bit complicated, and since I arrived without papers, it was even harder to find a good job…as life was very expensive…Since I didn't have a stable job, it was tough to send money to my family, pay for rent, food, transportation, everything costs…"*

- An immigrant entrepreneur in Spain

Increasingly scholarly attention has been devoted to immigration in recent decades, driven by its profound socioeconomic implications for both host and home countries (Borjas, 2018; Giuliano & Ruiz-Arranz, 2009). While research has long demonstrated the challenges immigrants face in host countries, such as language and cultural barriers, and labor market discrimination (Carlsson & Rooth, 2007; Portes & Sensenbrenner, 1993), recent studies indicate that family responsibility tends to further compounds their economic and social vulnerabilities (Evansluong, Manzhynski, & Karayianni, 2024). For example, migration, as prior research acknowledges, is often not merely an individual pursuit but a collective endeavor driven by the motivation to secure improved economic well-being and

overall quality of life for family members (Winter-Ebme, 1994). Upon resettlement, immigrants often assume financial, caregiving, and other responsibilities for both immediate and extended family members, contributing to essential needs such as education, healthcare, housing, and daily sustenance (Menjívar, Abrego, & Schmalzbauer, 2016). These dual pressures - navigating structural constraints in host countries while simultaneously fulfilling family responsibility - have been posited as a key mechanism underpinning the prevalence of entrepreneurship among immigrant populations (Borjas, 1986; Le, 2000).

Despite its recognized significance in migration and entrepreneurship, family responsibility tends to remain an underexplored dimension in the research on family and immigrant entrepreneurship. Prior studies in this domain have predominantly examined how trust-based family ties facilitate access to various resources, supporting immigrant entrepreneurs in overcoming challenges and thereby shaping entrepreneurial outcomes (Bird & Wennberg, 2016; Sanders & Nee, 1996). However, this perspective fails to capture the reciprocal obligations inherent in family relationships, where support is not only received but also expected in return (Portes & Sensenbrenner, 1993). Specifically, for immigrant entrepreneurs, whose family structures often span national borders and operate under various constraints, business ownership is not solely an economic activity but also serves as a means to fulfill family responsibility (Kim, 2006). In this regard, understanding the role of family responsibility is of importance because the imperative to ensure household survival, stability, and transnational commitments impose critical trade-offs for immigrant entrepreneurs (Evansluong, Manzhynski, &

Karayianni, 2024; Portes & Sensenbrenner, 1993). These entrepreneurs have to manage competing demands of business preservation and family expectations, an act that fundamentally shapes their strategic decision-making and venture performance (Chua et al., 2018).

Indeed, recent studies provide conflicting evidence regarding the impact of reciprocal family relationships on business performance. For instance, Cruz, Justo, and De Castro (2012) found that while family labor mitigates hiring challenges in micro and small enterprises, prioritization of family welfare over business efficiency may reduce profitability and hinder firm growth. Similarly, Au and Kwan (2009) showed that although family serves as a crucial source of initial funding for entrepreneurs, it also imposes significant obligations, creating pressures that may constrain business success. These findings underscore the complex role of family in the entrepreneurial process, illustrating how family responsibility and support structures may simultaneously facilitate and constrain business outcomes.

Given that entrepreneurship constitutes a critical mechanism for the economic and social assimilation of immigrants and their families, yet the impact of family responsibility on entrepreneurial outcomes remains ambiguous, a deeper investigation is warranted. This study is thus driven by the following questions: *How does family responsibility influence business performance of immigrant entrepreneurs? How do different dimensions of family responsibility—specifically, responsibility toward families in the home country versus the host country—interact to shape entrepreneurial outcome?*

Drawing on family embeddedness perspective (Aldrich & Cliff, 2003) and insights from work-family interface literature (Greenhaus & Beutell, 1985; Rothbard, 2001), we propose that family responsibility embodies a defining characteristic of the family system of immigrant entrepreneurs where the boundaries between family and business domains blur under resource constraints. We hypothesize that family responsibility is negatively related to business performance by intensifying family-business conflict, driving immigrant entrepreneurs to allocate resources from their ventures to support their families. Moreover, we argue that family responsibilities of immigrant entrepreneurs diverge from those of non-immigrant entrepreneurs due to their dual embeddedness in families spanning both home and host countries. Specifically, we propose a contingent effect: when responsibility toward home-country family responsibility is low, greater host-country family responsibility negatively impacts venture performance, as heightened financial dependence from family members in the host country amplifies resource strain and family-business conflict. However, when home-country family responsibility is substantial, strong emotional commitments to home-country relatives drive immigrant entrepreneurs to leverage social and economic support from host-country family members, thereby enhancing business performance.

To test these hypotheses, we surveyed 334 immigrant entrepreneurs across four European countries, followed by in-depth interviews with 32 participants to further validate our findings. These methodological choices are well-suited for studying populations that are traditionally hard to reach (Kistruck et al., 2015;

Portes, Haller, & Guarnizo, 2002). Indeed, the limited focus on family responsibility in previous theoretical frameworks may, at least in part, stem from methodological constraints. A primary challenge arises from the complexities of data collection, as immigrant entrepreneurs are geographically dispersed and often exhibit heightened reticence in disclosing sensitive personal and family information due to privacy concerns. This challenge is further compounded by their dual family embeddedness across transnational contexts, making it difficult to capture the informal, fluid, and often unstructured nature of home-country family ties. By leveraging both survey data and qualitative interviews, our empirical approach offers a nuanced insight on how family responsibility shapes the interplay between family and business in immigrant entrepreneurship. Our findings provide empirical support for our hypotheses.

Our research makes several contributions. First, we advance the research on immigrant entrepreneurship by providing empirical evidence on the negative impact of family responsibility on business success. While some prior studies have incorporated reciprocity within their theoretical frameworks (Portes & Sensenbrenner, 1993), they have not directly examined how this reciprocity, manifesting through family responsibility, shapes entrepreneurial outcome. By integrating the family embeddedness perspective and insights from family-work interface literature, we shed light on the mechanisms through which family responsibility constrains entrepreneurial outcomes. Specifically, by leveraging a unique primary dataset, we found that addressing family needs intensifies family-business conflict by compelling immigrant entrepreneurs to redirect business

resources toward family obligations. We thus show how resource reallocation limits the capacity for business reinvestment and expansion, ultimately impeding business performance (Dunkelberg et al., 2013).

Moreover, our research seeks to contribute to existing theory by suggesting that the impact of family dynamics on entrepreneurial outcomes is more nuanced than previously theorized. While prior research has largely emphasized the positive contributions of family support in immigrant entrepreneurship (Bird & Wennberg, 2016), our study illuminates the reciprocal nature of family relationships and its implications for entrepreneurial decision-making. This reciprocity is particularly salient among immigrant entrepreneurs, for whom entrepreneurship extends beyond personal economic endeavor to function as a broader family strategy (De Luca & Ambrosini, 2019), with their economic situation closely tied to the livelihood of the entire family. This family responsibility-driven entrepreneurial behavior underscores the necessity to examine entrepreneurship beyond the individual level, emphasizing the broader family context in which entrepreneurial decisions are embedded.

Lastly, our study advances the family embeddedness perspective (Aldrich & Cliff, 2003) by demonstrating that the impact of family involvement on venture performance is highly context-dependent, influenced by factors such as geographic proximity (Bird & Wennberg, 2016) and the institutional and social environments in which immigrant entrepreneurs operate (Achidi Ndofor & Priem, 2011). Specifically, we find that home-country and host-country family contexts exert distinct effects on

venture performance. By uncovering these nuanced relationships**,** this study deepens our understanding of the complex interplay between family systems and entrepreneurial outcomes**,** offering valuable insights into how immigrant entrepreneurs navigate family obligations across transnational contexts.

THEORY AND HYPOTHESES

Immigrant entrepreneurship: a family embeddedness perspective

Previous research has established the family as a fundamental social institution in which individuals are deeply embedded (Greif, 2006). The embeddedness approach focuses on the role of individuals' social relationships in their economic actions and outcomes (Granovetter, 1985; Uzzi, 1996). Within entrepreneurship research, this perspective suggests family and business are inextricably intertwined, portraying them not as distinct spheres but as mutually constitutive domains (Aldrich & Cliff, 2003). The family embeddedness framework highlights how various family characteristics—such as compositions, transitions, and norms—shape entrepreneurial processes and outcomes, including opportunity recognition, strategic decision-making, and venture performance. As Rogoff and Heck (2003, p.559) remark, families act as "the oxygen that feeds the fire of entrepreneurship". Central to the research applying family embeddedness in immigrant entrepreneurship is the notion that family resources play a critical role in supporting entrepreneurial activities (Bird & Wennberg, 2016; Bates, 2011). Immigrant entrepreneurs frequently face restricted access to financial and other essential resources due to cultural and language disadvantages, and institutional

barriers (Ahmed, Andersson, & Hammarstedt, 2009; Aldén & Hammarstedt, 2016). Amid these constraints, family support emerges as an indispensable mechanism, providing critical resources that facilitate opportunity recognition, venture creation, and long-term business sustainability (Bird & Wennberg, 2016).

The theoretical underpinnings of family-to-business support are primarily rooted in relational embeddedness (Granovetter, 1985; 1992), which emphasizes the mutual benefits and obligations inherent in strong social ties. Social capital scholars distinguish between structural and relational embeddedness, with the former focusing on network configuration and the latter on the quality of interpersonal relationships (Granovetter, 1992). For research on immigrant entrepreneurs, relational embeddedness tends to play a more prominent role, because family networks often serve as their primary resource base, compensating for the lack of broader weak-tie networks that typically arise from limited access to mainstream social structures (Hagan, 1998). These strong personal ties foster trust, enabling immigrant entrepreneurs to rely on family members not only for direct financial contributions but also for labor, advice, and emotional support (Bird & Wennberg, 2016; Sanders & Nee,1996). This line of research suggests the trust reduces the perceived risks associated with resource-sharing within families (Krackhardt, Nohria, & Eccles, 2003), thereby facilitating resource mobilization for entrepreneurial ventures.

The mechanisms through which families support immigrant entrepreneurs are multifaceted, encompassing both immediate assistance and long-term strategic contributions. First, research suggests that family financial resources, often in the

form of personal savings or informal loans, serves as a critical safety net, allowing immigrant entrepreneurs to bridge startup capital gaps when formal financing is either inaccessible or prohibitively costly (Sanders & Nee,1996; Nee & Sanders, 2001; Renzulli, Aldrich, & Moody, 2000). Additionally, families contribute labor, with relatives frequently taking unpaid or below-market-wage roles to alleviate operating costs (Sanders & Nee). These contributions may encompass a broad range of activities, including managing daily operations, providing childcare to free up entrepreneurs' time, or even leveraging specialized skills that would otherwise pose additional financial strain (Akbar & Preston, 2023; Baker & Benjamin, 1997).

Beyond tangible contributions, existing studies also show that families offer a range of intangible benefits. Emotional support from family members helps immigrant entrepreneurs navigate the stress and uncertainties associated with entrepreneurship, particularly in environments marked by cultural and institutional barriers (Bird & Wennberg, 2016). Moreover, prior research demonstrates that family social capital facilitates trust-building within local communities, creating pathways to critical resources such as client referrals, supplier introduction, and access to informal business networks (Blackburn & Ram, 2006; Gomez et al., 2020). For instance, research shows that in ethnic enclaves where interpersonal trust plays a pivotal role, family ties can serve as bridges to new business opportunities (Aldrich & Waldinger, 1990; Light, Bhachu, & Karageorgis, 2017).

Lastly, family norms and values are found to exert a profound influence on entrepreneurial aspirations and strategic decisions of immigrant entrepreneurs. Existing studies have found that families actively promote entrepreneurship as a

vehicle for upward mobility, instilling a sense of obligation and collective achievement (Bates, 1997). This embedded sense of duty may lead entrepreneurs to persist despite formidable challenges (Hsu et al., 2016), driven by the desire to meet family expectations or secure long-term prosperity for future generations (Kim, 2006). Nonetheless, these norms may also impose constraints, leading entrepreneurs to prioritize immediate family needs over innovation or growth, thereby introducing trade-offs that shape the trajectory of their ventures (Portes, 1995). In this regard, despite the aforementioned benefits derived from family ties, these mechanisms also underscore the complexity of family-business relationships.

The embeddedness perspective emphasizes the exchange logic inherent in these social relations (Uzzi, 1996). Indeed, in exchange for the family support, entrepreneurs frequently enter into an “informal contract” with family members, which requires them to provide financial, emotional, and logistical support back to the family. Research further highlights that strong ties foster trust and reciprocity, as actors favor long-term relationships over short-term gains (Alder & Kwon, 2002). This aligns with the research on family business, which finds that business owners tend to prioritize socioemotional wealth of their families over short-term economic benefits, particularly when the preservation of family control is threatened (Gomez-Mejia et al., 2007). Following this notion, entrepreneurs bear implicit obligations to sustain long-term family relationships, as they are expected to respond to family support through various contributions. Taken together, it is reasonable to argue

that the tacit economic rule and expectation of reciprocity embeds family responsibilities into entrepreneurs' decision-making processes.

This reciprocal dynamic is particularly salient in the context of immigrant entrepreneurship. Research indicates that immigrant entrepreneurs are not only expected to mobilize family resources to overcome various challenges but also bound by family obligations (Portes & Sensenbrenner, 1993). The intersection of these dual roles, where immigrant entrepreneurs must navigate the simultaneous demands of both family and business, creates a uniquely intricate decision-making scenario. This is because failure in entrepreneurship is not merely an economic setback; it directly threatens the entrepreneur's capacity to uphold their families, thereby amplifying the significance of allocation of limited resources. In this regard, immigrant entrepreneurs often find themselves grappling with the tension between fulfilling family obligations and channeling scarce resources into business maintenance and growth. This balancing act, under resource-constrained conditions, may inevitably shape strategic decisions, influencing financial and operational priorities, and ultimately, business performance.

Despite its critical relevance, the impact of family responsibility on the venture performance of immigrant entrepreneurs remains largely understudied. While existing research on immigrant entrepreneurship has extensively examined variations in ethnic communities (Aldrich & Waldinger, 1990; Portes & Sensenbrenner, 1993), and individual-level factors- such as cultural characteristics and human capital (Bates & Robb, 2014; Ley, 2006), the role of family dynamics, specifically, family responsibility, has received comparatively litter scholarly

attention. To address this gap, we integrate insights from family-business interface literature with the immigrant entrepreneurship research to theorize how family responsibly shapes the interplay between business and family domains, ultimately influencing venture performance.

Family Responsibility and the Immigrant Entrepreneurial Success

Previous research has devoted significant attention to the interplay between family and work, often framed within the broader work-family literature (Edwards & Rothbard, 2000). This body of research underscores the bidirectional and dynamic nature of family-work relationships, where roles in one domain can either complement or conflict with those in the other. Such interplay is particularly pronounced for immigrant entrepreneurs, who often grapple with balancing the competing demands of family responsibilities and business ventures as we discussed before. Among the myriad factors influencing this relationship, family responsibility emerges as a critical determinant, shaping how work and family domains interact (Jennings & McDougald, 2007). Family responsibility often refers to the obligations associated with dependents in the family, such as children who require care (Huang et al., 2004). In this study, we define family responsibility of immigrant entrepreneurs as the obligations to provide financial, emotional, and logistic support to dependents. Accordingly, it extends beyond childcare to include other family members dependent who rely on them for various forms of support.

Scholars have articulated two primary perspectives on the work-family interface. The conflict perspective posits that work-family roles are tension-filled

due to the finite nature of resources such as time, energy, and attention (Greenhaus & Beutell, 1985; Rothbard, 2001). As such, greater resource allocation to one domain inevitably depletes those available for the other, leading to role strain and diminished performance across both spheres. In contrast, the enrichment account highlights the potential for positive spillover effects, wherein skills, attitudes, and emotional resources cultivated in one domain enhance performance and satisfaction in the other (Greenhaus & Powell, 2006). Building on the family embeddedness perspective (Aldrich & Cliff, 2003), much of the research on immigrant entrepreneurship predominantly aligns with the enrichment framework. This line of work highlights the affective and instrumental family-business support that facilitate and sustain entrepreneurial endeavors among immigrant populations (Greenhaus & Powell, 2006). Rather than being mutually exclusive, most research tends to posit that the two competing are often interdependent, with one perspective potentially dominating based on contextual factors (Rothbard, 2001). As Jennings and McDougald (2007) observed, the work-family relationship in entrepreneurship frequently embodies a combination of these perspectives, being “depleting in some respects yet enriching in others” (p. 749). This duality underscores the complexity of family dynamics in shaping entrepreneurial outcomes.

Following these arguments, we propose that family responsibility influences immigrant entrepreneurial outcomes mainly through two distinct pathways: facilitation and constraint. Given that immigrant entrepreneurs are the primary decision-makers in their businesses, the family domain’s influence is not confined

to the individual level but also translates into venture outcomes. Thus, family responsibility—a key determinant within the family domain—is posited to exert both enrichment and conflict effects on entrepreneurial success.

From a facilitation perspective, we argue that family responsibilities can enhance business performance by fostering family-to-business enrichment. This process refers to the transfer of resources from the family domain to the business domain, which may positively impact venture outcomes (Powell & Eddleston, 2013). Specifically, we emphasize affective family-business enrichment, where positive emotions derived from fulfilling family responsibilities serve as a critical motivational enabler of entrepreneurial success (Greenhaus & Powell, 2006). These positive emotions—such as a sense of fulfillment, belonging, achievement, and motivation (Berry, 2001)—stem from the immigrant entrepreneur's awareness of their family's reliance on their entrepreneurial efforts (Doyle, 2015). The family dependence fosters a heightened sense of obligation, which, in turn, generates these positive emotions (Waldinger, 2015). As a result, emotional spillover from the family domain to the business domain drives immigrant entrepreneurs to invest greater time, energy, and focus in their ventures.

Existing research provides support for this perspective. For example, research shows that Korean entrepreneurs often motivate longer working hours to achieve upward mobility of families (Min, 1984). Berry (2001) suggests that sense of belonging, a psychological anchor-plays a critical role for immigrants as they navigate unfamiliar cultural and economic landscapes. Accordingly, prior research suggests that immigrant entrepreneurs with a strong family connection are found to

actively mobilize and allocate resources and employ more deliberate strategic decision-making to ensure financial stability for dependents (Waldinger, 2015; Yavuz & Bahadir, 2022). These positive emotions not only reinforce their commitment to both family and entrepreneurial goals but also enhance their ability to overcome challenges, make strategic decisions, and sustain effort over time. Therefore, family responsibilities act as a motivational pathway linking the family and business domains, ultimately contributing to venture success.

In contrast, adopting a constraint-based perspective, we argue that heightened family responsibilities may also impose significant limitations on business performance by reallocating critical resources—such as time, financial capital, and emotional energy—from the business to familial obligations. The conflict perspective within the work-family interface literature posits that inter-role conflicts arise when fulfilling the demands of one role hinders the ability to meet the expectations of another (Kahn et al., 1964). This view is grounded in resource scarcity theory, which asserts that individuals operate within a finite pool of resources (Hobfoll, 1989). Excessive demands from one domain, such as family, inevitably deplete the resources available for competing domains, such as business operations. Greenhaus and Beutell (1985) identified three primary dimensions of work-family conflict: time-based conflict, strain-based conflict, and behavior-based conflict. Time-based conflict arises from the mutually exclusive nature of temporal commitments to family and business. Strain-based conflict occurs when stress and emotional strain in one role spill over and disrupt

performance in the other. Behavior-based conflict reflects the incompatibility of expectations regarding behavior in one role with those in another.

Building on this framework, we propose that the intersection of business and family domains creates significant role conflict for immigrant entrepreneurs. This is because they play dual roles as business owners and family supporters, with both demanding substantial investments of time, financial resources, and emotional energy (Edwards & Rothbard, 2000). In other words, the dual responsibility creates an ongoing tension, requiring entrepreneurs to balance the competing priorities of supporting their families while managing the strategic and operational demands of their businesses (Evansluong, Manzhynski, & Karayianni, 2024). For instance, research in migration literature highlights that immigrant entrepreneurs frequently remit substantial portions of their earnings to family members in their home countries, creating a persistent drain on financial resources (Ley, 2006). Moreover, cultural norms emphasizing family obligations often compel entrepreneurs to prioritize familial needs, even when such decisions undermine the long-term sustainability of their businesses (Portes & Sensenbrenner, 1993; Zhang & Reay, 2018). The psychological strain associated with balancing these conflicting roles further compounds the unique challenges confronting immigrant entrepreneurs. While they consider family responsibility, entrepreneurs remain acutely aware of the necessity of sustaining their businesses, as the failure of their ventures jeopardizes their ability to provide for their families. This persistent anxiety and role strain can hinder their decision-making capabilities, reduce operational efficiency, and negatively impact overall business performance (Edwards & Rothbard, 2000).

Given the resource constraints faced by immigrant entrepreneurs in host countries and the economic challenges that often drive migration—implying difficult financial conditions for immigrant families in both home and host countries (Bates, 2011)—resource depletion is likely to play a more critical role in shaping entrepreneurial outcomes than in traditional entrepreneurial environments. These factors together suggest that greater levels of family responsibility intensify business-family conflict, particularly in terms of resource allocation. In other words, while family responsibility may motivate immigrant entrepreneurs to work harder and persevere, it simultaneously demands significant resource commitments, especially financial capital, to support family needs. This dual pressure creates a resource trade-off, where the necessity to allocate resources to familial obligations detracts from investments in business growth and strategic planning. Consequently, the resource-depleting effects of family responsibility are expected to have a negative impact on venture performance. Based on these arguments, we propose:

Hypothesis (H1): *Immigrant entrepreneurs' family responsibility is negatively related to entrepreneurial performance.*

Dual embeddedness: home country and host country family responsibility

In the preceding section, drawing on research on the work-family interface, we proposed that family responsibility has two distinct effects on venture performance: facilitation and constraint. Given the resource insufficiency often encountered by immigrant entrepreneurs and their prioritization of family goals, the constraining effect tends to predominate, thus resulting in an overall negative

impact on immigrant entrepreneurial success. While this framework offers valuable insights, it does not allow us to fully capture the intricate ways in which family obligations across home and host countries interact, which simultaneously generate unique pressures and support systems (Portes, Haller, & Guarnizo, 2002). Therefore, we suggest that this interaction would lead to distinctive family-business interface experience, subsequently influencing their entrepreneurial outcomes.

Indeed, the family responsibilities of immigrant entrepreneurs are particularly distinct due to their dual embeddedness within kinship networks spanning both home and host countries (Waldinger, 2015). According to recent research on immigrations and transnational families, this dual embeddedness gives rise to two critical factors that distinguish immigrant entrepreneurs' family responsibilities from those of non-migrant entrepreneurs: geographic separation and socioeconomic disparities between the two countries (Bird & Wennberg, 2016; Waldinger, 2015). These factors reshape the interplay between family and business by altering resource flows, support mechanisms, and decision-making processes, laying the foundation for unique entrepreneurial challenges and opportunities.

First, the geographic separation between home and host countries introduces a distinct transnational dynamic to immigrant entrepreneurs' family responsibilities, characterized by differential patterns of resource dependence and support mechanisms across family and business domains (Bagwell, 2017). On the one hand, home-country families face significant constraints in receiving direct and

tangible support, such as time or human resources, from immigrant entrepreneurs due to physical distance. As a result, remittance - a core component of transnational resource flows- seems to emerge as the primary feasible and pragmatic form of home-country family's reliance on immigrant entrepreneurs (Rapoport & Docquier, 2006). In contrast, families in the home country predominantly offer socioemotional exchange, providing critical emotional support that sustains entrepreneurs' motivation and resilience (Bird & Wennberg, 2016). These affective ties, deeply rooted in relationships formed and reinforced during the entrepreneurs' formative years, create enduring obligations that transcend geographic boundaries (Waldinger, 2015). Even after migration, these family bonds persist, serving as a motivational force that compels entrepreneurs to balance competing demands between their ventures and the sustained support of their transnational families (Bagwell, 2017).

On the other hand, host-country families, typically established through mechanisms such as family reunification, marriage, or childbirth (Glick, 2010), leverage their geographic proximity to immigrant entrepreneurs, fostering a direct form of family-to-business support. Such support is integral to daily business operations. For instance, host-country families also serve as an essential source of human capital, offering both skilled and unskilled labor tailored to the unique needs of immigrant-owned ventures (Nee & Sanders, 1996). Moreover, families in host countries provide context-specific support, leveraging their embeddedness within local networks and institutional frameworks to assist entrepreneurs in overcoming cultural and regulatory barriers (Portes & Sensenbrenner, 1993). On the contrary,

geographical proximity also suggests that family members in the host country would depend on the entrepreneurs for direct contribution, such as childcare, household management, and labor for the business (Kim, 2006; Zhang & Reay, 2018). These demands may intensify family-business conflict, as the competing demands from family and business roles generate tension and resource depletion thereby decreasing immigrant entrepreneurs' ability to focus on business (Jennings & McDougald, 2007).

Second, the socioeconomic disparities between home and host countries further shape the nature of family and business interaction. Empirical evidence indicates that global migration predominantly follows a pattern of movement from less developed regions to more developed economies (Cohen, 2011). This migration trajectory thus suggests significant differentiations in social and economic contexts between countries of origin and destination, which in turn influence family resource flow and entrepreneurial endeavors. In many cases, immigrant entrepreneurs face financial burdens arising from remittances sent to support home-country families. However, the lower cost of living and economic standards in many home countries often alleviate the overall strain, therefore making remittances a manageable obligation compared to the higher financial demands of sustaining families in host countries (Doyle, 2015).

By contrast, the elevated cost of living in host countries, coupled with the pressures of integrating into competitive economic systems, frequently necessitates a disproportionate allocation of resources to maintain host-country households (Kim, 2006). This redirection of resources often comes at the expense

of critical business investments, undermining the financial capacity needed for venture growth and long-term sustainability (Evansluong, Manzhynski, & Karayianni, 2024; Zhang & Reay, 2018).

However, at the same time, host-country families can serve as a safety net for immigrant entrepreneurs, benefiting from the more comprehensive welfare systems and institutional frameworks characteristic of developed economies. These include unemployment benefits, child allowances, healthcare coverage, and other forms of social insurance, which collectively provide a baseline of financial and social stability (Olds, 2016). Such institutional support reduces immediate economic pressures on entrepreneurs, enabling them to navigate the dual demands of family obligations and business operations more effectively.

Based on these arguments, we propose that when holding a low level of home-country family responsibility, immigrant entrepreneurs tend to experience a reduced sense of obligation toward their families in the home country. This diminished obligation may weaken their intrinsic motivation to succeed in business, as fulfilling familial expectations becomes a less significant driver of entrepreneurial effort. Consequently, the potential enrichment derived from family-to-business support— such as emotional encouragement or a sense of purpose—is attenuated (Greenhaus & Powell, 2006). In such cases, the family domain contributes less to the entrepreneur's resilience and commitment to business success.

In contrast, when home-country family responsibility is high, immigrant entrepreneurs typically experience a stronger sense of obligation and purpose toward their families in their countries of origin. This heightened motivation may

drive greater effort and persevere in entrepreneurial endeavors, as business success is directly linked to fulfilling their transnational family commitments (Rapoport & Docquier, 2006). Recognizing the pressures, immigrant entrepreneurs often tend to intensify their entrepreneurial efforts to generate sufficient resources for both domains. This dynamic aligns with the enrichment perspective, which posits that resources and support from one family domain can positively spill over into the business domain (Greenhaus & Parasuraman, 2001).

In sum, the interplay between home-country and host-country family responsibilities creates dynamic effects on venture performance through the dual mechanisms of family-to-business enrichment and family-business conflict. Low home-country responsibility combined with high host-country demands often intensifies resource depletion and family-business conflict, negatively impacting entrepreneurial focus and investment. In contrast, high home-country responsibility enhances motivation and purpose, mitigating the financial burden through transnational resource mobilization. When both responsibilities are high, entrepreneurs may strategically leverage home-country networks and intensify efforts, leading to a net positive impact on venture performance.

Based on these arguments, we propose:

Hypothesis (H2): *The interaction between host-country family responsibility and home-country family responsibility will be significantly associated with venture performance. When home-country family responsibility is low, higher host-country family responsibility will be associated with lower entrepreneurial performance. Conversely, when home-country family responsibility is high, higher*

host-country family responsibility will be associated with higher entrepreneurial performance.

METHODS

Data and Sample

To test these predictions, which require that migrant entrepreneurs be comparable across different contexts and within a similar business setting, we collected the data with the assistance of a leading international money-transfer network that operates through immigrant-owned business. These immigrant entrepreneurs serve as franchisees of the company. We were granted access to its European regional department, overseeing nearly 10,000 immigrant-owned franchises across 15 Western-European countries. The data provided a unique opportunity to study a large population of legally registered immigrant-owned firms operating in the same industry. A key advantage of this approach is that it allows us to obtain reliable firm-level data while ensuring sample consistency and controlling for cross-industry variation. Furthermore, despite the support provided by the franchisor, there remains substantial income risks associated with this business model, along with significant variation in performance outcomes. Additionally, due to the franchisor's strategic focus, all franchise owners are immigrants themselves, the majority of whom face the obligation of remitting money to their families in their home countries, which allows us to examine the family responsibility in the home country directly. This unique combination of

entrepreneurial risk, financial responsibility, and immigrant status makes this context well-suited to our research objectives.

From a listing of 9,769 of these ventures, we randomly selected cases from four countries that formed the basis of our study: 150 from Spain, and 100 each from the UK, France, and Italy. We believe that this number provided a reasonable balance between cost efficiency and statistical power. Data collection was conducted by telephone interviews, administered by a professional survey company with extensive experience in managing large-scale phone surveys. The company had prior experience in conducting multi-country/multi-language surveys, such as the Global Entrepreneurship Monitor (GEM), which reinforced the confidence in their ability to execute the data collection effectively.

The survey was initially developed in English and subsequently translated and back translated into the other three languages used in the study. Multiple rounds of this process ensured conceptual equivalence across languages. The survey was made available to respondents in any of the four languages, and they were first asked to indicate preferred language for participation. The average completion time was under 30 minutes, which was particularly important as entrepreneurs were contacted at their businesses, often between transactions. In addition to venture performance and family responsibility in both the home and host countries, the survey included questions on migration motivations, startup assistance, business characteristics, and demographics. Observations with missing values were excluded, resulting in a final sample of 334 first-generation immigrant entrepreneurs. In addition to the survey, we conducted interviews with

32 immigrant entrepreneurs in Spain, France, and Italy to further validate our findings. However, due to limited access, we were unable to include entrepreneurs from the UK in the interview sample. This omission does not compromise the validity of our results, as the survey data already provide a comprehensive and representative basis for analysis across multiple national contexts.

Main Variables

Dependent variable. Venture performance is a continuous variable and was operationalized through immigrant entrepreneurs' self-reported monthly net income from their business in the host country. Net income represents the profit of the business, reflecting the actual income earned by the immigrant entrepreneurs. Profitability is widely recognized as a key indicator of a firm's growth and success and is an essential and basic measurement of venture performance (Achidi Ndofor & Priem, 2011). The use of net income as a performance measure is appropriate for this study for several reasons. First, for immigrant entrepreneurs, net income not only determines business survival and development but also directly affects their ability to sustain household livelihoods, support family members both in the home and host countries to fulfill broader family responsibilities. Specifically, many immigrant entrepreneurs operate small or micro-enterprises, their primary goal is often not business expansion but rather maintaining profitability to support their family's economic well-being. Thus, net income provides a more relevant and accurate measure of business success compared to alternative indicators such as sales, assets, or number of employees.

Additionally, during the data collection process, we observed that many immigrant entrepreneurs exhibited relatively low levels of financial literacy. Using net income as a performance metric ensured that respondents could provide clear and straightforward answers without the need for complex financial calculations. Moreover, given the sensitive nature of financial data, our pilot study revealed that asking about multiple financial indicators significantly reduced response rates, as participants were less willing to disclose detailed financial information. Therefore, net income was chosen as a single, easily interpretable, and less intrusive measure, maximizing data reliability and respondent participation. Finally, given the significant skewness of the variable, a natural logarithm transformation, which is frequent in entrepreneurship research, is utilized (e.g., Delmar & Shane, 2004; Milanov, Justo, & Bradley, 2015).

Independent variable. Family responsibility is the independent variable, which we measure with the following survey questions: “How many dependent family members your business income serves to in your host country?” and “How many dependent family members your business income serves to in your home country”. This approach is commonly used to capture the family obligations in previous research (Jennings & McDougald, 2007). These two measures represent distinct dimensions of family dependence, corresponding to home-country family dependence and host-country family dependence, which are used as separate independent variables for H2. Specifically, H2 examines the differential effects of responsibility toward home-country versus host-country dependents on venture performance. For H1, we aggregate these two measures by summing the total

number of dependents in both the home and host countries to capture the overall family responsibility faced by the immigrant entrepreneur. This composite measure reflects the total burden borne by the entrepreneur, encompassing all dependents reliant on the business income. The use of business income-supported family dependence as a measure of family responsibility is particularly relevant in our research context, as it directly examines the interface between business and family. Specifically, this approach acknowledges that business income—measured as the immigrant entrepreneur's monthly net income—is central to fulfilling family obligations, reinforcing the link between family dependence and venture performance. For H2, we further differentiate between home-country and host-country family dependence, allowing us to examine how financial obligations toward different family units influence entrepreneurial outcomes.

Control Variables

We accounted for the variables commonly indicated by prior research as having an effect on venture performance. These variables are primarily concerned with the demographic attributes and human capital of immigrant entrepreneurs. *Gender* is a dummy variable. We controlled for gender because it can considerably alter the social interactions, pressure from institutions, and business performance of immigrant entrepreneurs (Azmat & Fujimoto, 2016). We also controlled for *Age.* Because the deeper the social embedding as one ages, the greater the likelihood of having more social resources, which might impact the success of immigrant businesses (Bird & Wennberg, 2016). *Education* is controlled because, as an

essential human resource for immigrant entrepreneurs, it might affect their capacity to integrate and access resources in the host country (Sanders & Nee, 1996). *Duration* is another control variable. We accounted for it since the length of time immigrant entrepreneurs spend in the host country can considerably affect their chances of obtaining citizenship as well as the performance of their businesses through the accumulation of resources (Mosbah et al., 2020).

Methods

Given the continuous nature of our dependent variable, log(venture performance), we tested the hypotheses using ordinary least squares (OLS) regression. We first regressed venture performance on the controls and then regressed it on controls and independent variables. Finally, we include the interaction of host country family dependence and home country family dependence. The variance inflation factors (VIFs) range from 1.01 to 1.48 in the models. Therefore, multicollinearity is not the major concern for our models. We also test for common method bias. The unrotated factor analysis yielded a two-factor solution. The two factors account for 56.87% of the variance. The first factor captures 31.86% of the variance, while the remaining factor accounts for 25.01% of the variance. Since no common method factor surfaced, common method variance is not an issue in our study.

RESULTS

In Table 1, we present the descriptive statistics and correlations between the focal variables of our study. 85% of these immigrant entrepreneurs are male,

with an average age of 40 years. On average, they have resided in the host country for 14 years, and most have attained a high school education. 9% of them have prior entrepreneurial experience. In terms of family responsibilities, these entrepreneurs support an average of 3.7 dependent family members in their home country and 4.2 in their host country. The correlation analysis reveals a negative relationship between family responsibility and venture performance, providing initial support for our hypotheses.

Insert Table 1 about here.

Table 2 presents the result of OLS regression with robust standard errors. Model 1 is the baseline model that only includes control variables. Model 2, 3, and 4 test the main independent variables. Model 6 tests the interaction effect between home country family responsibility and host country family responsibility. We derived our hypothesis (H1) by building on arguments that resources that family responsibility intensifies the family-business conflict and that resources could have been reinvested in business are now supporting the families, therefore suggesting the negative effect of family dependence on venture performance. In Model 2, we can see the negative coefficient of family dependence (β= -0.051, $p<0.01$) for the business performance of immigrant entrepreneurs. The result provides support for Hypothesis 1. Hypothesis 2 suggests the interaction between host country and home country family responsibilities. Table 2 reports this result in Model 6. The

significance of the interaction term (β= 0.038, p<0.01), combining the results of Model 3 and Model 4, lending support to H2.

Insert Table 2 about here.

We plot Figure 1 to further interpret the interaction effect. Figure 1 shows that when there are more family dependents in home countries, the increase of family dependents in host country has a positive effect on venture performance, whereas when home country family responsibility is low, the increase of host country home dependents has a negative effect on venture performance. It provides support for H2.

Insert Figure 1 about here.

Results of interviews

Our interviews further validate our findings. In-depth interviews with these immigrant entrepreneurs indicated that they balanced their emphasis on business growth and performance with their family responsibilities. The limitations regarding alternative employment in their host countries and their family obligations significantly influenced their investment decisions and the growth trajectory of their ventures. Growth and the risks associated with it were carefully weighed against the potential costs to family welfare. As one entrepreneur noted, “Maybe people reduce the amount, but they still have to send money.” This highlights how financial commitments to family members back home remained a non-negotiable aspect of their economic decisions, even if the scale of remittances fluctuated.

Moreover, the interviews confirmed our expectations regarding the distinct effects of home and host country dependents. Entrepreneurs with dependents in their home countries often felt a heightened sense of duty to those they had left behind, for whom they were the primary financial provider with limited alternative sources of support. One participant emphasized this responsibility, stating, “By working hard, saving a lot. I always went to send my money. When I sent my remittance to Colombia...”

The support for the host country family, while closer in lineage, was offset by the presence of the social safety net in the European countries examined, so their weight on the business was much lower. Moreover, they could utilize this family cohort for assistance and labor for the business, alleviating the load of the entrepreneur. For instance, one entrepreneur explained “You could say it runs in the family. My sisters were also merchants in Algeria. It’s a family thing that we decided freely. The advantage is I take vacations whenever I want; there’s nothing holding us back”. Similarly, one interviewee also shared “Exactly, I had guarantees. I had my father as a guarantor, and the bank agreed to give me the money to buy this business.”

These findings together underscore the complex and multifaceted role of family responsibility in immigrant entrepreneurship.

Post-hoc analysis

We conducted a post-hoc analysis to examine the dual role of home country families to further explain the interaction between host country family responsibility

and those of home countries. To do so, we examined the interaction effect between host country citizenship and host country family responsibility. Based on our theoretical logic, immigrant entrepreneurs, who benefit from local institutions and family ties in host countries, are able to mobilize more resources. As a significant indicator of legal integration (Bauböck, 2010), citizenship of the host country plays an important role in breaking down institutional constraints and eliciting family support in the immigrant entrepreneurial process. For instance, it qualifies them for financial resources such as loans from banks and other financial institutions (Desiderio, 2014). Secondly, their legal status will allow them to sponsor their family for visas, helping them to reunite their families with greater flexibility (Jasso, & Rosenzweig, 1986). Again, attaining status enables immigrant entrepreneurs to access social amenities provided by the host country, such as access to health care and education for themselves and their families (Gea-Sánchez et al., 2017; Padilla, 1997), which can reduce the resource reliance of families. Considering the function of acquiring residency status in resource acquisition and dependency reduction, we argue that citizenship of host countries has a positive moderating effect on host country family responsibility. The results presented in Figure 2 validate our hypotheses. As the number of family dependents in the host country sustained by resources increases, obtaining citizenship of host countries has a positive effect on venture performance.

Insert Figure 2 about here

DISCUSSION

Immigrant entrepreneurship plays a critical role in economic development and social integration, yet these businesses are often characterized by limited scalability and growth potential (Malerba & Ferreira, 2021). Prior research attributes these limitations to resource constraints, which stem from the socioeconomic challenges immigrant entrepreneurs face in host countries (Bates, 2011). As a result, previous studies have predominantly focused on the crucial role of families as key resource providers in helping immigrant entrepreneurs overcome these constraints (Bird & Wennberg, 2016; Sander & Nee, 1996). However, the reciprocity between immigrant entrepreneurs and their families—manifested through family responsibility—remains insufficiently explored. In particular, little is known about how family responsibility influences decision-making and entrepreneurial outcomes.

Integrating the family embeddedness perspective (Aldrich & Cliff, 2003) and work-family interface literature (Greenhaus & Beutell, 1985; Rothbard, 2001), we examine how family responsibility shapes business performance by intensifying family-business conflicts. Our findings reveal that family dependence on the business exerts a negative impact on the venture performance of immigrant entrepreneurs. This adverse effect is primarily driven by the resource allocation trade-off inherent in immigrant entrepreneurship. These entrepreneurs must continuously navigate the challenge of distributing scarce resources between their families and their businesses, often at the expense of reinvestment into their ventures (Evansluong, Manzhynski, & Karayianni, 2024; Zhang & Reay, 208).

Elevated family reliance compels entrepreneurs to prioritize family stability over growth, since the downside risks of business failure extend beyond financial loss to threaten overall family livelihood. Moreover, the limited availability of alternative income sources further intensifies the pressure to mitigate business risks, thereby constraining strategic decision-making and curtailing the capacity to pursue growth-oriented investments.

However, the distinctive nature of family embeddedness among immigrant entrepreneurs —characterized by their concurrent connections to families in both the host and home countries—leads to divergent consequences in their responsibilities for families (Gould, 1994; Sayad, 2018). Our findings show that while home-country families, due to geographic distance and weaker economic conditions, may offer limited direct support to immigrant entrepreneurs, their high dependence can still exert a profound positive influence on entrepreneurial behavior. When home-country family responsibility is high, immigrant entrepreneurs develop a strong commitment to securing financial stability (Waldinger, 2015), as they recognize that their families have no alternative sources of support. This sense of obligation motivates them to leverage host-country family resources, seeking assistance from proximate relatives who can contribute financially, provide labor, or offer business-related guidance (Bird & Wennberg, 2016). Additionally, host-country families serve as a safety net (Olds, 2016), mitigating financial distress and buffering the risks associated with entrepreneurship, thereby allowing the entrepreneur to continue fulfilling their obligations toward their home-country families. In contrast, when home-country

family responsibility is low, the level of commitment among immigrant entrepreneurs tends to decline. With fewer financial obligations toward relatives abroad, entrepreneurs might lack strong motivation to mobilize host-country family resources for business sustenance (Cohen, 2011). Moreover, the risk of business failure poses a lesser threat to host-country family members, as they are embedded in a more stable economic environment with well-established social welfare systems.

Our study makes several contributions. Existing research predominantly centers on the various obstacles encountered by immigrants during their entrepreneurial endeavors, emphasizing the influence of limited resources on the outcomes of immigrant entrepreneurship (see Dabić et al., 2020 for a review). As a result, there has been a significant focus on comprehending the manner in which immigrants utilize their social networks, such as families and co-ethnic communities, as a vital approach for accessing resources (Bird & Wennberg, 2016; Sanders & Nee, 1996). However, absent from this study is the subsequent phase of this process: how do immigrant entrepreneurs allocate these limited resources, especially when facing expectation of reciprocity (Portes & Sensenbrenner, 1993)? Our study aims to fill this research gap by drawing upon the family embeddedness perspective and work-family interface literature. It seeks to investigate the family responsibility encountered by immigrant entrepreneurs in making strategic decisions and the subsequent effects on the performance of their ventures.

By doing so, we contribute by offering a mechanism that helps explicate the limited growth potential of immigrant businesses, a concern that has been raised in

the literature (Campagnolo et al., 2022). We posit that immigrant entrepreneurs tend to exhibit a reduced willingness to reinvest resources into their businesses, not solely due to the obligation to support their families, but also as a strategic response to mitigate the significant downside risk to families, both near and far, associated with potential business failure. Our findings shed light on the reality that resource allocation remains an active decision-making process for immigrant entrepreneurs, even when confronted with resource dilemmas. Complementary to the previous notion that the relatively small size and low potential of immigrant entrepreneurship are predominantly attributed to various disadvantages (Bates, 2011), we contend that the observed outcomes also have significant elements of proactive choice made by immigrant entrepreneurs. They tend to be willing to bear higher performance hazards, as evident from reduced venture profits, if it ensures the protection and responsibility of their families in the long run. This outcome also helps shed light on the growth limitations of immigrant entrepreneurial firms, and the need to reexamine the nature of growth in such firms (Kerr & Kerr, 2016). Campagnolo et al. (2022) have argued that planning for adversity, given the high costs of failures for these businesses, affects their growth. Our results extend those arguments and bring to the discussion the role of family responsibility on their growth expectations. The presence of dependents highlights the costs of adversity and further tips the growth/ firm survival balance toward survival mode.

Our research also contributes to the family embeddedness perspective in immigrant entrepreneurship by spotlighting the dual role of the family in this context. Prior studies have demonstrated that families in the host country can

positively impact entrepreneurial outcomes by mobilizing various resources through family ties (Collier, 2013). However, scant attention has been given to exploring the potential negative impact of family embeddedness, specifically the resource consumer role of family, i.e., family dependence on the business. Our study addresses this research gap and advances the understanding of how family responsibility can affect venture performance. We specify the conditions under which deficits in the business caused by family reliance may be mitigated by the benefits that families can bring. Interestingly, the host country family dependents are likely to be closer family dependents (wife or husband, sons, or daughters) than the home dependents (parents, uncles, brothers, and sisters). Yet the negative effect on performance is stronger for those farther than for those closer. Our findings reveal a nuanced perspective, indicating that host country families possess certain advantages over home country families in playing the role of resource providers, which is underpinned by factors such as geographic accessibility and their weight as resource consumers is mitigated by the presence of social safety nets in the host country.

The limitations of our study present promising opportunities for future research. First, our reliance on survey data introduces limitations to the study. For example, drawing inferences about the relationship between variables requires cause, given the cross-sectional nature of our data. However, it is important to note that this specific group of subjects is particularly challenging in terms of data collection and that individual data on these subjects is far from common in the literature (Dabić et al., 2020). While we understand the limitations of survey-based

research, no viable alternatives exist for studying this particular group. Therefore, we encourage future research to address this gap by employing longitudinal designs, which would provide deeper insights into the dynamic interplay between family responsibility and entrepreneurial outcomes over time.

Moreover, the use of self-reported monthly net income as the measure of venture performance may benefit from a more comprehensive approach, as suggested in previous studies (Robinson, 1999; Engel, Gordon, & Hayes, 2002). The utilization of multifaceted measurements of venture performance could yield valuable insights. Again, it is crucial to acknowledge the sensitivity of information, especially monetary and performance information, among immigrant entrepreneurs, which may impact their willingness to respond to such inquiries. Alternative methods of assessing performance are particularly problematic to acquire in this environment, given the traditional reactivity of immigrant groups toward providing data and insights of their groups and families. Despite this potential challenge, it would be intriguing to investigate whether allowing immigrant entrepreneurs to compare their performance with that of their competitors could reveal differences or unique influences.

Despite these limitations, our results offer possible extensions by calling attention to the invisible disadvantages of immigrants as entrepreneurs. Building on prior research, which suggests that entrepreneurs may divert microfinance funds away from their businesses to non-business purposes, impeding their poverty alleviation efforts (Kim et al., 2021), our findings shed light on a similar decision dilemma faced by immigrant entrepreneurs. Specifically, they may opt to maintain

small-scale ventures due to the invisible constraints imposed by family reliance. This observation has significant practical and theoretical implications, as it underscores the need to investigate how these invisible constraints impact the survival and success of immigrant-owned businesses and how public policies can effectively support this population.

Additionally, there is an opportunity to further enrich the family embeddedness perspective by exploring the negative impacts of family embeddedness and its implications for immigrant entrepreneurs regarding family succession. Understanding how entrepreneurs navigate the pressures from their families in making succession decisions is of great significance (De Massis, Chua, & Chrisman, 2008). While immigrant entrepreneurs may maintain their businesses to sustain their families, they often do not expect their offspring to inherit these businesses, instead encouraging them to pursue higher social status jobs (Kim, 2006). Investigating how these preferences affect business succession and exit decisions is a compelling avenue for research. Furthermore, examining whether skilled and well-educated immigrants or second and subsequent generations of immigrants encounter similar decision dilemmas and how they approach the decision-making process between family and business would provide valuable insights (Fokkema, Cela, & Ambrosetti, 2013). Analyzing differences among various immigrant groups could offer more understanding into how the heterogeneity of personal and relational characteristics of entrepreneurs influences the entrepreneurial process.

Our research highlights family responsibility as a critical mechanism for understanding the family-business interface among immigrant entrepreneurs and its implication for business success. Drawing on the reciprocity, we argue that immigrant entrepreneurs allocate business resources to fulfill family obligations, often at the expense of reinvestment in the business. The unique family embeddedness of immigrant entrepreneurs, concurrently embedded in home country families and host country families, causes families in different geographic and institutional environments to play different roles in the family-business interactions, leading to heterogeneous effects on venture performance. Our research advances the understanding of immigrant entrepreneurship and extends insights into broader entrepreneurial contexts where family and business are highly intertwined.

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APPENDICES

Table 1. Descriptive statistics and correlation

	Variables	Mean	SD	1	2	3	4	5	6	7	8
1	Venture performance (ln)	7.136	0.84								
2	Gender	0.85	0.357	-0.044							
3	Age	40.05	8.387	0.035	0.041						
4	Education	2.799	0.848	-0.150**	0.096	-0.101					
5	Duration	14.09	7.219	-0.075	-0.034	0.366**	-0.110*				
6	Prior entrepreneurship exp	0.093	0.29	-0.073	0.019	0.100	-0.022	0.066			
7	Home country family resp	3.771	1.470	-0.211**	0.034	0.068	0.098	0.125*	0.030		
8	Host country family resp	4.202	1.098	-0.076	-0.002	-0.092	0.025	0.017	0.039	0.105	
9	Total family responsibility	7.781	2.446	-0.202**	0.024	-0.005	0.087	0.103	0.046	0.801**	0.680**

SD = standard deviation N=334, Home country family resp= Home country family responsibility, Host country family resp=Host country family responsibility

** p < 0.01
* p < 0.05

Table 2. OLS regression analyses

	(1) VP	(2) VP	(3) VP	(4) VP	(5) VP	(6) VP
Gender	-0.107	-0.095	-0.093	-0.106	-0.093	-0.095
	(0.114)	(0.113)	(0.111)	(0.114)	(0.112)	(0.113)
Age	0.008	0.008	0.009	0.008	0.008	0.008
	(0.006)	(0.006)	(0.006)	(0.006)	(0.006)	(0.006)
Education	-0.11	-0.099	-0.097	-0.109	-0.097	-0.104
	(0.063)	(0.062)	(0.062)	(0.062)	(0.062)	(0.061)
Duration	-0.013*	-0.011	-0.011	-0.012*	-0.01	-0.011
	(0.006)	(0.006)	(0.006)	(0.006)	(0.006)	(0.006)
Prior ent exp	-0.079	-0.062	-0.074	-0.069	-0.067	-0.097
	(0.154)	(0.158)	(0.155)	(0.156)	(0.156)	(0.151)
Host country						
France	-0.184	-0.165	-0.175	-0.175	-0.168	-0.133
	(0.13)	(0.127)	(0.127)	(0.13)	(0.127)	(0.126)
Italy	-0.601**	-0.589**	-0.584**	-0.602**	-0.585**	-0.56**
	(0.105)	(0.104)	(0.104)	(0.105)	(0.104)	(0.102)
UK	0.227	0.208	0.197	0.23	0.2	0.235
	(0.133)	(0.133)	(0.134)	(0.133)	(0.133)	(0.133)
Family responsibility		-0.051**				
		(0.017)				
Home country family resp			-0.069**		-0.067**	-0.063**
			(0.022)		(0.022)	(0.022)
Host country family resp				-0.037	-0.029	-0.021
				(0.029)	(0.029)	(0.028)
Home*Host						0.038**
						(0.014)
Constant	7.538**	7.886**	7.717**	7.696**	7.833**	8.351**
	(0.311)	(0.347)	(0.32)	(0.351)	(0.356)	(0.406)
Observations	334	334	334	334	334	334
R-squared	0.164	0.185	0.185	0.168	0.187	0.2

Robust standard errors are in parentheses.
VP=Venture Performance, Prior ent exp=Prior entrepreneurship experience, Home country family resp= Home country family responsibility,
*Host country family resp=Host country family responsibility *** p<.01, ** p<.05*

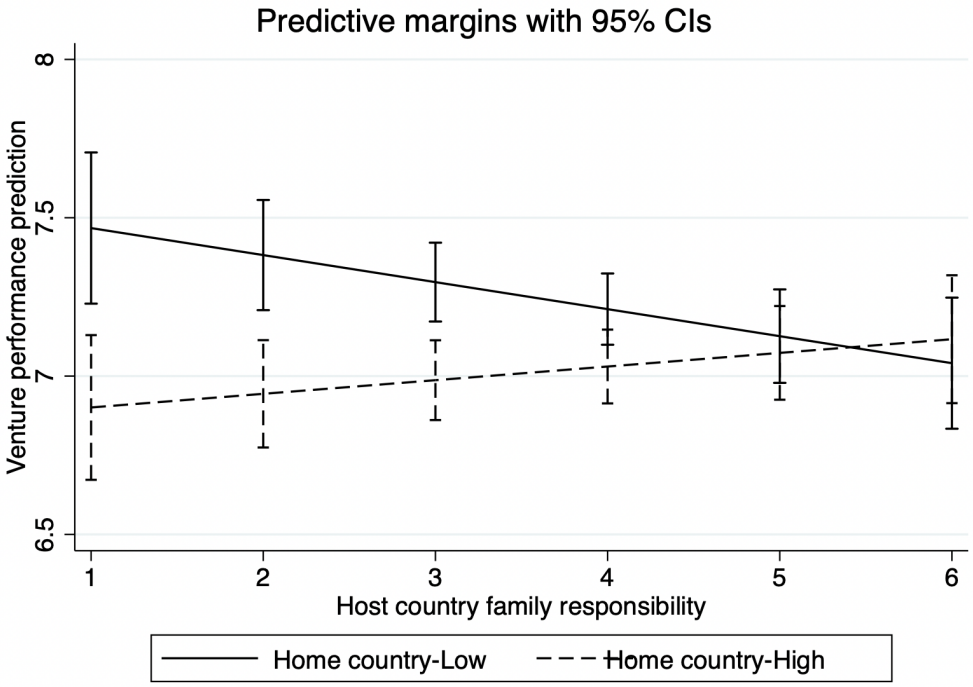

Figure 1. Interaction between home country and host country family responsibilities

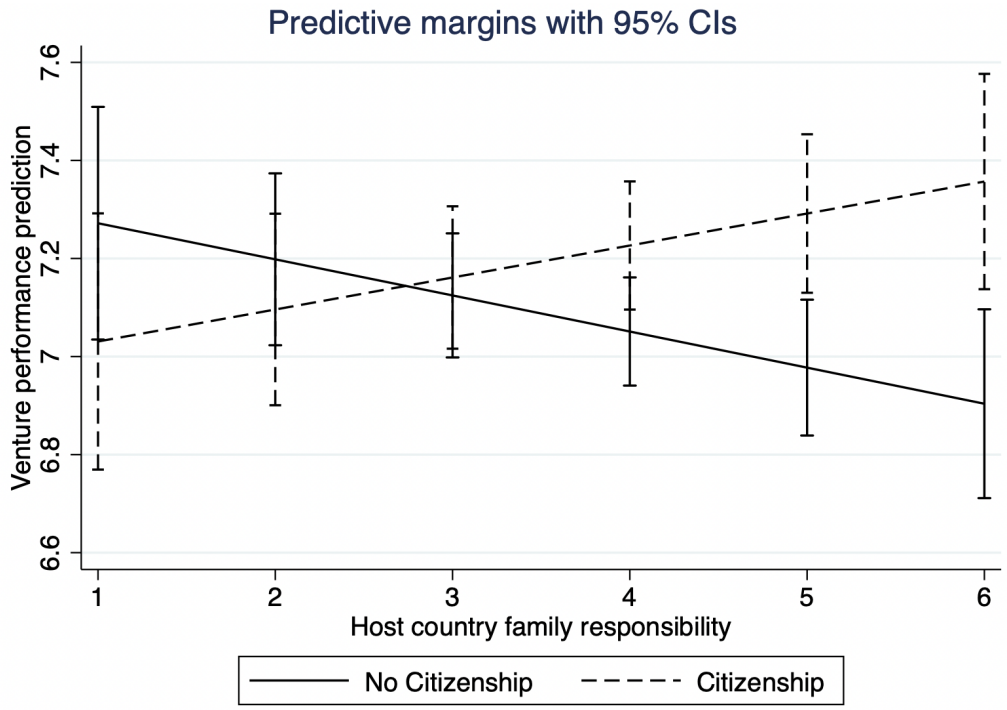

Figure 2. Interaction between citizenship and host country family responsibility

CHAPTER 2

Falling to Rise: Downward Mobility and Entrepreneurship

ABSTRACT

While entrepreneurship has been widely perceived as an important pathway to social mobility, less is known about how mobility influences entrepreneurial activities. This study reverses the conventional lens by examining how intergenerational downward mobility – a decline in social standing relative to one's parents – shapes individuals' decisions to pursue entrepreneurship. Drawing on research on status discordance, we conceptualize downward mobility as status loss, a misalignment between internalized expectations and achieved social status. We argue that this experience triggers a drive for status restoration, thus motivating individuals toward entrepreneurship as a compensatory strategy, a behavioral response that allows them to reassert agency, or symbolically resist the implications of downward movement. We further theorize that this response is contingent on ascribed status (i.e., gender) and residential context as these factors shape the perceived severity of loss and the feasibility of entrepreneurship as a coping mechanism. Using nationally representative data from China (2010–2018), we find that individuals who experience intergenerational downward mobility are more likely to enter entrepreneurship, with the effect more pronounced among women. Our study contributes to the literature on entrepreneurship and social mobility by introducing a status-based framework that views entrepreneurship not

only as an opportunity-driven activity but also as a psychological and symbolic response to mobility-induced dissonance.

KEY WORDS: Social mobility, Entrepreneurship, Status loss

INTRODUCTION

The popularity of the “from rags to riches” narrative reflects a widespread societal belief in the transformative potential of entrepreneurship (Lippmann et al., 2005; Quadrini, 2000). While previous studies have established that entrepreneurship can be an important precursor to social mobility (Bruton et al., 2013; Rider et al., 2023), the impact of social mobility on entrepreneurial activities remains understudied. Social mobility refers broadly to the relative change in one’s position within the social structure, implying corresponding shifts in the features of that position, such as status, powers, and social identity (Friedman, 2016). This mobility, according to prior research, has substantial psychological and behavioral implications (Breen & Jonsson, 2005; Phillips & Martin, 2020; Phillips et al., 2020). Nonetheless, how these mobility-induced psychological changes translate into economic activities, particularly entrepreneurship, remains an open question.

In this study, we focus on the growing prevalence of intergenerational downward mobility – defined as a decline in an individual's social standing relative to that of their parents (Black & Devereux, 2011). For instance, it is reported that the share of individuals who perceive their fathers’ jobs as having higher status than their own has risen from 16% to 21% over the past two decades (OECD,

2018). This form of mobility has been shown to have profound implications for social cohesion, economic stability and individual well-being (Heath & Li, 2023). Specifically, it challenges individuals' expectations of linear status progression and may give rise to psychological concerns, such as status anxiety, identity conflict, and a diminished sense of personal control (Richardson, 1977).

To theorize how individuals respond to such an experience, we draw on the literature on status discordance (Kurer & Staalduinen, 2022) to conceptualize intergenerational downward mobility as status loss, which captures mismatch between status expectations formed during childhood (i.e., parental occupational status) and outcomes realized in adulthood (Hope, 1975). We argue that this loss can prompt individuals to seek alternative means of restoring dignity, meaning, and social relevance. We propose that entrepreneurship, by offering autonomy, symbolic visibility, and a sense of regained agency, serves as a compelling response to mobility-induced status loss (Rindova et al., 2009; Shane et al., 2003).

Given that individuals' responses to status loss are not uniform, we examine how ascribed status (gender) and contextual environment (urban vs. rural) moderate the effect of downward mobility on entrepreneurial entry (Browne & Misra, 2003; Tacoli, 1998). We theorize that status loss triggers stronger entrepreneurial responses among women than among men, as women—due to their ascribed status—often face structural barriers and limited opportunities for upward mobility within traditional employment hierarchies. We also propose that urban environments attenuate this effect because the broader range of career

options available in urban areas reduces both the necessity and the symbolic appeal of entrepreneurship as a status-restorative strategy.

To test our hypotheses, we draw on nationally representative data covering 8,597 individuals across 25 provinces in China between 2010 and 2018. The dataset provides comprehensive information on the family dynamics and economic activities of Chinese residents. Our empirical analyses show that individuals experiencing intergenerational downward mobility are more likely to engage in self-employment, consistent with the theorized role of entrepreneurship as a coping strategy. This relationship is significantly moderated by gender, with women exhibiting a stronger propensity to enter self-employment. However, we do not find evidence that the urban context significantly moderates this relationship.

Our study makes several contributions. First, we offer a new lens to understand why individuals engage in entrepreneurship. While prior studies typically conceptualize social mobility as an outcome of entrepreneurial activity (Rider et al., 2023), we reverse this logic by theorizing intergenerational downward mobility as a psychological antecedent of entrepreneurship. By showing that status loss is a motivational driver of entrepreneurial entry, we move beyond resource – or opportunity-based explanations and highlight how mobility-induced psychological threats can activate entrepreneurial behavior as a means of restoring lost status, dignity, or social relevance.

Second, we contribute to the literature on social mobility by demonstrating the psychological and behavioral impacts of downward mobility, extending its impact to economic outcomes. Responding to the call to examine the consequence

of social mobility (Phillips et al., 2020), our study reveals that the experience of downward mobility not only affects financial well-being but also shapes individual self-perception and career decision-making. Specifically, we show that status loss triggers individuals to engage in entrepreneurial behavior as a coping mechanism. These insights thus broaden our understanding of social mobility by demonstrating how status-related experiences influence occupational pathways and decision-making beyond financial constraints.

Moreover, we extend the literature on status loss by examining its impact on entrepreneurial entry. While previous research largely focused on status related to race, language, or organizational hierarchy, our study introduces a novel comparative perspective by exploring occupational status shifts between parents and their children (Neeley, 2013; Marr & Thau, 2014). By linking intergenerational status decline to an important organizational outcome – entrepreneurship – our research bridges research on status dynamics and entrepreneurial behaviors.

Last, by integrating perspectives from entrepreneurship and social mobility research, our study provides practical implications for policies aimed at fostering entrepreneurship in contexts of economic and social volatility. As downward mobility becomes more prevalent, understanding how entrepreneurship can serve as a response to social and economic displacement is critical. Our findings suggest that targeted policies – those that provide these entrepreneurs with access to resources, legitimacy, and institutional support – can help transform vulnerability into agency, and in turn, reduce broader risks of social exclusion and inequality (Lewis et al., 2025).

THEORETICAL BACKGROUND AND HYPOTHESES

Literature on downward mobility and entrepreneurship

Downward mobility refers to a decline in an individual's social standings, either relative to their parents (intergenerational) or within their own trajectory (intragenerational) (Leeuwen & Maas, 2010; Smith, 1994). Recent studies suggest that this phenomenon has become increasingly prevalent in recent decades (Streib, 2020). Indeed, in the traditionally middle-class-dominated economies such as the Nordics countries and Germany, this period has seen a contraction of the middle class, fueling concerns over the risk of downward mobility (OECD, 2024). In this paper, we focus specifically on intergenerational downward mobility, defined as a situation in which an individual attains a lower occupational status than their parents. This focus is particularly salient given the well-documented effect of parental background on their children's risk preference and career choices (Kraus et al., 2012; Lindquist et al., 2015).

Previous research has explored the antecedents of downward mobility, identifying two primary drivers. The first explanation attributes it to individual life events – including drug addiction, illness, or divorce – as well as perceived personal failings, such as a lack of effort (Richardson, 1977; Thijssen & Wolbers, 2016). From this perspective, affected individuals are often portrayed as extreme cases of socio-economic decline, marked by poverty and adverse physical and mental health outcomes (Nicklett & Burgard, 2009; Simandan, 2018). This

narrative reinforces stereotypes of such individuals as lazy or undeserving, which may partly explain the limited scholarly attention devoted to this phenomenon in entrepreneurship.

An alternative explanation situates downward mobility within broader economic and social transformations (Heckman & Mosso, 2014; Leeuwen & Maas, 2010). Post-industrialization, characterized by shifts in occupational structures, has led to a diminished demand for high-skilled workers and a devaluation of educational credentials (Lipset, 2018). Consequently, an increasing number of individuals find themselves in jobs that, while adequate, fail to meet their prior expectations set by families. This more systemic perspective underscores the growing prevalence of downward mobility and highlights its broader implications for labor markets and societal inequality.

In this study, we focus on individuals who experience intergenerational downward mobility yet maintain stable employment, a group that has become increasingly representative of contemporary social and economic transitions (Thijssen & Wolbers, 2016). By concentrating on this population, our research aligns more closely with the context of entrepreneurship studies, as these individuals possess the foundational resources and capabilities necessary to engage in entrepreneurial activities (Alvarez & Busenitz, 2001). In contrast, extreme cases of downward mobility, such as those involving severe poverty or incapacity, often lack the requisite resources or agency to pursue entrepreneurship, rendering them less applicable to our theoretical framework. In other words, we do not focus on individuals who are pushed into entrepreneurship

out of necessity or economic desperation. Rather, we are interested in those who, despite maintaining employment, turn to entrepreneurship as a potential response to downward mobility

Entrepreneurship has long been recognized as a critical driver of economic growth and a potential solution to pressing grand challenges (Santos, 2012; Schumpeter, 1934). Meanwhile, research on sociology tends to suggest that downward mobility may be associated with adverse consequences for individuals. For example, prior studies link it to reduced income levels (Corak et al., 2014), diminished network connections (Podolny & Baron, 1997), and a decline in social status (de Vries, 2024). These outcomes are particularly consequential in the context of entrepreneurship, which demands access to financial, human, and social resources (Venkataraman, 2019). From this perspective, it is reasonable to expect that downward mobility may create less favorable conditions for entrepreneurial entry.

Contrary to conventional wisdom that emphasizes the adverse effects of downward mobility, emerging research suggests that such experiences may also foster entrepreneurial tendencies. For instance, Martin & Cote (2019) conceptualize social class transitioners as individuals “who have moved upward or downward across the social class spectrum”. They argue that these transitioners might develop distinct insights and adaptive abilities because of their mobility experiences, equipping them with unique cultural tools to navigate complex organizational environments. These toolkits might enable individuals to identify and

exploit opportunities across diverse class groups—opportunities that might otherwise remain inaccessible to those without such transitional experiences.

In addition, a sociological perspective underscores the importance of resistance in shaping responses to downward mobility (Neman, 1988; Williams, 2017). Resistance reflects a desire to maintain self-perceptions aligned with higher social positions, often as a psychological coping mechanism against the perceived loss of class. This phenomenon aligns with loss aversion, a principle of prospect theory (Kahneman & Tversky, 1979), which suggests that individuals react more intensely to losses than equivalent gains. Such resistance may prompt radically different career choices including entrepreneurial activity, as individuals seek to challenge and change their current socio-economic circumstances. Overall, prior research has largely overlooked the direct relationship between downward mobility and entrepreneurial activity, offering divergent predictions regarding its potential impact.

Intergenerational downward mobility, status loss, and entrepreneurship

Research on social stratification provides a structural framework for understating individuals' societal positioning (Grusky, 2019). Status, originally conceptualized by Weber (1922/1978), captures the dynamics of prestige and recognition associated with one's position in the hierarchy. Weber emphasized that status is often expressed through a shared "style of life" that distinguishes members of a particular social group and reinforces their social boundaries. Status hierarchies become entrenched in society when expectations, resources, and

values are systematically mapped onto social characteristics (Berger et al., 1972; Berger et al., 1980; Ridgeway & Correll, 2006). Building on this, Bourdieu argued that members of a social class share common life experiences shaped by similar levels of cultural, social, and economic capital. These shared experiences form a "habitus", an internalized set of dispositions and practices that reinforce class-specific behaviors and expectations (Bourdieu, 1984). Specifically, this perspective suggests that families achieve class reproduction through the transmission of cultural and social capital, embedding intergenerational status reproduction – the alignment between inherited social class and achieved status – as an implicit goal within the socialization process (Parsons, 1951).

This perspective is echoed in entrepreneurship research (Lindquist et al., 2015). Using life history data from Denmark, Sørensen (2007) demonstrates that intergenerational transmission of entrepreneurship is less about privileged access to financial capital and more about an "exposure" mechanism, whereby parents' social position exposes children to entrepreneurial experiences and normative expectations that have a lasting impact on their career choices. The aforementioned research highlights the remarkable role of familial transmission in embedding status-specific aspirations, which serve as a psychological benchmark for an individual's expectations. In other words, social status origin imprints individuals with implicit expectations of maintaining their parental social standing.

However, recent studies demonstrate that social class is not static and call for a closer examination of how social mobility reshapes individuals' experiences and outcomes (Friedman, 2016). Indeed, social mobility challenges the

conventional reproduction of social class by creating misalignment between inherited and achieved status, leading to discrepancies in individuals perceived and actual social positioning (Blau & Duncan, 1967). In this study, we follow Kurer and Staalduinen (2022), who conceptualize social mobility as status discordance – the discrepancy between the status expectations formed during childhood and the outcomes attained in adulthood (Hope, 1975). In this sense, intergenerational downward mobility represents status loss of individuals which leads to several special psychological and social challenges stemming from unmet status expectations and identity shifts (Benson, 1984).

First, status loss undermines the expectations conveyed by the family's social hierarchy and creates a sense of “social failure” (Davis-Kean, 2005). During childhood, familial values are internalized into an individual’s sense of self, forming a psychological benchmark for being a “good” or “appropriate” member of a certain social group (Tajfel & Turner, 1979). Specifically, parents often set occupational standards as reference points for social status, reflecting their desire to maintain or enhance the family’s social position. These standards are conveyed both explicitly, through verbal encouragement and direct expectations (e.g., “You should aim to be a doctor”) (Cooke & Rousseau, 1984), and implicitly, through role modeling and the prioritization of resources that align with prestigious careers (Jodl et al. 2001). These processes collectively create a psychological benchmark for children, linking occupational achievement to familial and personal identity (Christiansen, 1999). As such, when individuals fail to meet these standards, they perceive themselves as

having failed their family's expectations and, by extension, their own aspirations, leading to a deep sense of personal failure (Blau & Duncan, 1967).

Second, individuals may experience identity conflict due to a mismatch between the values embedded in their social class origin and their current social status. Bourdieu (2000) argued that habitus, while deeply rooted in childhood social class, is also shaped by subsequent experiences. From this perspective, individuals experiencing downward mobility are expected to navigate a tension between the deeply ingrained dispositions of their childhood social class and the behavioral expectations of their current status. Furthermore, while habitus is shaped by both early socialization and later experiences, its adaptation is often slow, leading to a persistent misalignment between past social conditioning and present realities (Bourdieu, 1990).

Indeed, prior research suggests that middle-class families tend to emphasize long-term career planning and higher education as markers of success, whereas working-class families may prioritize immediate financial stability and practical skills (Skeggs, 2011; Lockwood, 1966). Moreover, recent studies indicate that even after upward mobility, those entering the elite often struggle with social integration and cultural assimilation, as their early socialization continues to shape their dispositions, preferences, and interactions (Kish-Gephart & Campbell, 2015; Martin & Cote, 2019). As such, it is reasonable to expect that when individuals experience status loss, these imprinted habits often clash with the norms and expectations of their new social status. In other words, the early-developed habits

become imprinted in individuals and profoundly influence their behavior (Marquis & Tilcsik, 2013), often making adaptation to a lower social status challenging.

In light of these arguments, we propose that mobility-induced status discordance generates psychological strain and a need for identity realignment (Brown, 2016; Simandan, 2018; Tumin, 1957). In response to this tension, individuals actively seek pathways to restore a sense of coherence and control. Among various coping strategies, we argue that entrepreneurship offers a distinct and viable outlet. Rather than perceiving entrepreneurs as a new, higher-status which substitute for lost status, we conceptualize entrepreneurship as a status-restorative mechanism – a behavioral response that enables individuals to reassert agency, reclaim identity coherence, or symbolically resist the implications of downward movement. Specifically, it simultaneously addresses both external societal perceptions and internal individual psychological needs, thus providing a pathway to reclaim agency and redefine their social identity (Carsrud & Brännback, 2011).

First, entrepreneurship offers a compelling narrative of redemption and resilience, aligning with their aspirations for status restoration and societal validation. Entrepreneurs are frequently portrayed as exemplary “self-starters” who overcome challenges and uncertainties (Claire, 2012; Pilotta, 2016). Research has long revealed that, in contemporary society, entrepreneurship is inherently associated with high risk, innovation, and resilience – qualities that align with cultural ideals of individualism and societal progress (Hamilton, 1957). This image is reinforced by the narratives surrounding celebrity entrepreneurs, whose stories

of perseverance and groundbreaking innovation have become symbols of entrepreneurial excellence (Kenney, 2000). Moreover, from a sociocultural perspective, entrepreneurship embodies symbolic capital (Bourdieu, 1984), allowing entrepreneurs to accumulate social prestige and public recognition. This recognition reinforces their identity as innovators and changemakers (Busch & Lassmann, 2010). Compared to traditional professionals, who may derive status primarily from occupational hierarchies (Ganzeboom, et al., 1992), entrepreneurs are celebrated for their individuality and their ability to create unique value through innovation (Boyle & Kelly, 2010).

Second, entrepreneurship experiences are found to be associated with autonomy, control, and a sense of achievement, all of which are critical sources of individual well-being (Wiklund et al., 2019). The entrepreneurial process enables individuals to design their own work paths, set personal goals, and exert control over their careers, fostering a sense of agency and empowerment (Shepherd et al., 2015). This autonomy is particularly valuable for individuals experiencing status loss, as it allows them to reclaim control over their circumstances and redefine their social trajectory. Furthermore, entrepreneurship provides a platform for personal achievement and meaning-making. By tackling challenges, launching innovative ideas, and solving real-world problems, entrepreneurs experience a profound sense of purpose and fulfillment (Newman et al., 2019). These positive emotional experiences together not only alleviate identity crises caused by status discordance but also reinforce psychological resilience, enabling individuals to persist through setbacks and rebuild their self-identity (Farmer et al., 2011).

Third, prior research shows that entrepreneurial success may lead to increased income and expanded social networks (Van Praag & Versloot, 2007), both of which play a critical role in restoring individuals' social standing and adapting to class changes. Income growth through entrepreneurship provides individuals with enhanced economic capital, enabling them to address the financial pressures associated with downward mobility and participate in higher-status social activities (Grusky, 2019). This financial improvement is particularly impactful for individuals seeking to reclaim their societal position, as it offers both stability and opportunities for upward mobility. In addition to financial benefits, entrepreneurial success significantly expands social networks (Baron & Markman, 2003). Entrepreneurs build relationships with investors, clients, collaborators, and other stakeholders, gaining access to valuable information, resources, and opportunities (De Carolis & Saparito, 2006). These networks not only facilitate business growth but also enhance the entrepreneur's integration into higher-status social groups, further solidifying their restored social position.

Last, prior research suggests that entrepreneurship contributes directly to society and creates social value (Acs, 2006). At the societal level, entrepreneurship drives economic development, generates employment opportunities, and fosters innovation, which are critical to sustaining economic growth (Audretsch, 2018). Furthermore, entrepreneurship is increasingly recognized as a mechanism for addressing grand societal challenges, such as poverty alleviation, regional economic revitalization, and environmental sustainability (Bruton et al, 2013). These contributions have led to growing policy support and favorable cultural

narratives, which in turn have elevated the societal recognition of entrepreneurship. This enhanced recognition provides entrepreneurs with a sense of purpose and fulfillment, reinforcing their self-worth and identity as agents of positive change (Brieger et al., 2020).

In sum, we argue that individuals experiencing intergenerational downward mobility are more inclined to pursue entrepreneurship because it serves as an effective means of addressing negative status discordance and restoring both their social and psychological well-being. Based on these arguments, we propose:

Hypothesis 1: Intergenerational downward mobility is positively associated with subsequent entrepreneurial entry.

Status loss, gender, and entrepreneurial response

Facing status loss, individuals may not perceive or respond to the situation uniformly. Prior research has consistently highlighted that social mobility is a gendered phenomenon, with women encountering distinct challenges and pressures due to their ascribed status – social positions assigned at birth, such as gender and race (Payne & Abbott, 2005). These gendered effects are deeply rooted in societal norms and structural inequalities (Hout, 2019), which collectively shape the severity of status loss and the range of viable coping strategies. Building on this perspective, we propose that gender serves as a critical boundary condition in the relationship between intergenerational downward mobility and entrepreneurship. Specifically, women – positioned as a historically disadvantaged group – are more likely to encounter heightened social judgment and restricted

mobility channels. These constraints may intensify psychological tension and, in turn, increase their likelihood of turning to entrepreneurship as a status-restorative strategy.

First, according to social role theory, women are socialized to prioritize interpersonal relationships, emotional connections, and societal recognition, positioning these elements as fundamental to their social identity (Lawler, 1999). This socialization process originates from culturally reinforced gender norms, which emphasize communal qualities, such as warmth, nurturing, and cooperation, as desirable qualities for women (Eagly & Steffen, 1984). As a result, women are more attuned to how they are perceived by others and derive a significant portion of their self-worth from fulfilling societal expectations. This heightened sensitivity to societal recognition renders women particularly vulnerable to status loss, which not only signifies a decline in social standing but also represents a perceived failure to meet deeply ingrained social norms. Compared to men, who are socialized to prioritize individual achievements and independence, women face greater exposure to societal judgments when their status diminishes (Lucas, 2003). Such failures to align with societal expectations frequently challenge women's social identity, leading to higher levels of psychological distress and prompting efforts to restore their social standing through adaptive strategies, including entrepreneurial activities.

Second, downward mobility is often stigmatized in society (Keplinger & Smith, 2022), but women face additional scrutiny due to cultural expectations that emphasize diligence and perseverance as central to their roles (Nakitende, 2019).

In many cultural contexts, women are socialized to embody traits such as hard work, adaptability, resilience, and capability to overcome challenges, creating normative expectations that failure or status decline is incompatible with their perceived identity (Acker & Feuerverger, 1996). Consequently, the stigma associated with downward mobility is amplified for women, as their status loss is more likely to be attributed to personal shortcomings – such as a lack of effort, competence, or ambition – rather than external circumstances (Krebs et al., 1994). In contrast, men experiencing downward mobility can be more often perceived as victims of uncontrollable factors, such as economic disruptions or structural inequalities (Smith, 1994). This attribution bias intensifies the stigmatization experienced by women, as their status loss is viewed not only as a personal failure but also a deviation from deeply ingrained societal norms. As a result, women may be particularly motivated to counteract this stigma, employing strategies such as entrepreneurship to reassert their social identity and restore societal recognition.

Lastly, existing research emphasized the pervasive structural barriers that significantly hinder women's ability to recover status through traditional career pathways, such as the glass ceiling and occupational segregation (Cotter et al., 2001). The glass ceiling refers to the invisible yet persistent barriers that prevent women from advancing into senior leadership positions, often perpetuated by implicit biases that question their leadership capabilities and decision-making faculties (Espinosa & Ferreira, 2022). Similarly, occupational segregation confines women to lower-paying and lower-status professions, such as education, nursing, or administrative roles, which inherently limit opportunities for upward mobility

(Blau et al, 2013). These systematic barriers are further entrenched by societal expectations and organizational cultures that prioritize male-dominated leadership styles, often labeling women as less assertive or decisive (Koenig et al, 2011).

Given these constraints, traditional career pathways often fail to offer viable mechanisms for women to recover their status following downward mobility. This structural disadvantage compels many women to seek alternative avenues, with entrepreneurship emerging as a particularly appealing pathway. Entrepreneurship provides greater autonomy, allowing women to bypass the systemic obstacles embedded within traditional workplaces. Moreover, it offers a unique platform for women to redefine their professional identities, leveraging their skills and networks to regain societal recognition and economic stability.

Based on these arguments, we propose:

Hypothesis 2: The positive relationship between intergenerational downward mobility and subsequent entrepreneurial entry is more pronounced for women than for men.

Urban and rural contexts in the downward mobility – entrepreneurship relationship

We propose that urban and rural contexts differentially shape the impact of intergenerational downward mobility and subsequent entrepreneurial responses. These settings are characterized by substantial differences in economic opportunities, social networks, and cultural norms (Pateman, 2011) which influence

how individuals experience status loss and strategies they employ to restore their social standing.

We argue that in rural areas, close-knit communities create stronger embeddedness in local networks (Rockenbauch & Sakdapolrak, 2017), amplifying the visibility and stigma associated with status loss. This heightened social scrutiny reinforces communal expectations, wherein failure to conform often results in intensified psychological distress and social sanctions (Cassidy & Barnes, 2012). In contrast, urban environments are characterized by more dispersed living and working arrangements, fostering a culture of inclusivity and diversity. The prevalence of weak-tie networks in cities reduces the social visibility of status loss, allowing individuals to navigate their challenges with less societal scrutiny and judgment.

Existing research demonstrates that urban areas further provide an expansive range of economic opportunities (Kresl & Singh, 1999), allowing individuals to recover their status through varied career pathways, including professional occupations, service-sector roles, and participation in the gig economy. For example, access to vocational training and robust professional networks enables urban residents to transition into emerging industries, such as technology or advanced services, mitigating the necessity to engage in entrepreneurial activities (Freire-Bibb & Nielsen, 2014). In contrast, rural areas, constrained by limited economic diversity, often lack such formal employment opportunities (Bryden & Bollman, 2000).

Based on these arguments, we propose:

Hypothesis 3: The positive relationship between intergenerational downward mobility and subsequent entrepreneurial entry is less pronounced for urban residents compared to rural residents.

METHODOLOGY

Sample and data

Data for this study are drawn from the China Family Panel Studies (CFPS), a nationally representative longitudinal survey of Chinese households and individuals. CFPS provides comprehensive data on family dynamics, economic activities, and other key aspects of Chinese residents' lives. The survey, initiated by the Institute of Social Science Survey at Peking University in collaboration with the Survey Research Center at the University of Michigan, has been conducted biennially since its inception. CFPS is widely regarded as a reliable source for empirical research in sociology and entrepreneurship (e.g., Li & Tong, 2023; Xie et al., 2023), offering rich insights into household behavior and individual economic outcomes.

China provides a compelling context for examining the relationship between intergenerational mobility and entrepreneurship due to its unique economic and social transformations. First, since the initiation of economic reforms in the late 1970s, China has undergone rapid industrialization and urbanization, transitioning from an agrarian to an industrial and, more recently, to a post-industrial economy (Cao et al., 1999; Bai et al., 2000). These structural transformations have fundamentally reshaped societal hierarchies, generating both new opportunities

and significant challenges for social mobility. Moreover, these changes have heightened individuals' awareness of status and identity, making China an ideal setting for investigating how status dynamics influence entrepreneurial decision. In this rapidly changing environment, entrepreneurship has emerged as a critical mechanism for coping with downward mobility. Second, over the past decades, China has witnessed a rise in entrepreneurial activities and the proliferation of privately-owned businesses, contributing to its evolving role as a key player in the global entrepreneurial landscape (He et al., 2019). This dual phenomenon of significant mobility and entrepreneurial expansion offers a fertile ground for studying how structural and individual factors interact to influence entrepreneurial behavior.

The CFPS employs a multi-stage probability sampling design, covering 645 communities across 25 provinces in China. We utilize data from 2010 to 2018, encompassing five waves of surveys. To establish our sample, we begin with the baseline wave of 2010, which includes 9,685 households across 105 counties. Social status information was collected during the 2012 follow-up survey because the 2010 wave experienced substantial missing data on parental background due to differences in collection methods. To address this limitation, CFPS conducted a specialized follow-up in 2012 to gather detailed information on interviewees' parents' education and occupation at age 14, ensuring higher data quality and completeness.

Our analysis focuses on individuals who were of working age (16 to 60 years old) in 2010 (Feng et al., 2019). Intergenerational downward mobility is

measured by comparing individuals' occupational status from 2010 with their parents' occupational status collected in 2012. Given the stability of parental background information over time, combining the 2012 data with the 2010 baseline survey, which includes the largest number of respondents, is methodologically appropriate and ensures robust measurement of intergenerational mobility. To comprehensively capture entrepreneurial activities, we examine entrepreneurship information across all subsequent waves (2014, 2016, and 2018), using the 2010 wave as the baseline. To ensure robustness, the sample is restricted to individuals who participated in all five waves of the survey and who were not engaged in entrepreneurial activities in 2010 and 2012. After excluding observations with missing values for key variables, the final sample comprises 8,597 individuals.

Measures

Dependent variable The dependent variable, *Entrepreneurship*, is operationalized as a binary indicator coded 1 for individuals who were not engaged in entrepreneurial activities in 2010 and 2012, but who reported being self-employed in at least one of the subsequent waves (2014, 2016, or 2018). Individuals who were already self-employed in the first two waves were excluded to ensure that observed entrepreneurial activity reflects new entry, thereby allowing us to examine transitions into entrepreneurship following intergenerational downward mobility.

This design establishes a clear temporal sequence between the independent and dependent variables, reducing concerns of reverse causality. The independent variable—intergenerational downward mobility—was constructed using

occupational prestige data from 2010 (individual) and 2012 (parents), preceding the entrepreneurial transitions observed from 2014 onward. Following prior studies (Li & Tong, 2023; Sørensen & Fassiotto, 2011), we define entrepreneurship as self-employment, based on a survey item that explicitly asks respondents whether they work for themselves. This conceptualization aligns with our theoretical framing, which views entrepreneurship as a status-restorative response to downward mobility, rather than as a pursuit of new status per se. Self-employment also serves as a broadly recognized proxy for entrepreneurship in national surveys, encompassing founders, business owners, acquirers, and small-scale entrepreneurs (Katz, 1992). It thus provides a comprehensive and practical measure that is both theoretically and empirically justified.

Independent variable *Intergenerational Downward mobility* is operationalized as a binary variable indicating whether an individual's occupational prestige score is lower than that of their parents when the individual was aged 14, based on Treiman's Occupational Prestige Scale (Treiman, 1977). Individual occupational prestige was measured in 2010, while parental occupational prestige was collected in the 2012 follow-up survey, which provides more comprehensive and reliable information on family background than the baseline 2010 wave. This combination allows for a temporally appropriate and empirically sound assessment of intergenerational mobility. Occupational prestige offers a stable and comparable metric across generations and has been widely used in sociological studies of mobility (Lersch et al., 2020). It also facilitates international comparability and has been validated in the Chinese context (Lin & Xie, 1988), making it particularly

suitable for our study. The measure also aligns with our theoretical emphasis on status loss and ensures consistency with established research traditions in mobility studies.

Moderator There are two moderators in our model. The first moderator, *Gender*, is a binary variable coded as 1 for females and 0 for males. The second moderator, *Urban*, is also a binary variable, coded as 1 if the individual resides in an urban area and 0 if in a rural area. Urban and rural areas are defined based on the respondent's current place of residence, which aligns with our theorization of the effect of living environment.

Controls We include several control variables to account for factors that may influence the likelihood of entrepreneurship. *Age* is controlled, as older individuals are generally less likely to engage in entrepreneurship (Azoulay et al., 2020). *Marital status*, a binary variable coded as 1 for married individuals and 0 otherwise, reflects family conditions that may affect entrepreneurial decisions (Wong, 1986). *Migration* status is also controlled, coded as 1 if an individual's current residence differs from their registered hukou location, as migration may influence access to local resources and opportunities (Chen & Hu, 2021). We include *Party* membership, a binary variable coded as 1 for Communist Party members and 0 otherwise, as party affiliation in the Chinese context may provide better access to resources (Li et al., 2006). Additionally, we control for the number of *Siblings*, reflecting family resource distribution, as limited family resources may be divided among siblings and affect entrepreneurial activities (Mishkin, 2021). At the county level, we control for per capita GDP (log-transformed to Ln(Per Capita

GDP)), the employment rate of individuals aged 15 to 64, and the total population, which collectively capture the economic and demographic conditions of the individual's local environment (Wennekers, 2006).

Model specification

To test our hypothesis H1, we employ the following probit model:

$$Prob\left(Self\_employment_{ij} = 1\right) = \Phi\left(\gamma_0 + \gamma_1 Downward\_Mobility_{ij} + \gamma_2 X_{ij} + \gamma_3 C_j + \gamma_4 Province\right) \quad (1)$$

$Self\_employment_{ij}$ is a binary dependent variable indicating whether individual *i* in county *j* engages in self-employment. The key independent variable $Downward\_Mobility_{ij}$ captures whether an individual has experienced downward mobility. The model further includes individual-level control variables X_{ij} and county-level characteristics C_j. Province-level fixed effects $Province$ are incorporated to account for unobserved heterogeneity across regions. Given the hierarchical structure of our data, the application of a hierarchical linear model was initially considered. However, the rho value of the baseline model without predictors is 0.022, suggesting that the between-group variance is negligible. Consequently, the use of a multilevel model is unwarranted, and a single-level probit model is determined to be sufficient and appropriate for this analysis.

To test our hypotheses H2 and H3, we employ the following probit models:

$$Prob\left(Self\_employment_{ij} = 1\right) = \Phi\left(\gamma_0 + \gamma_1 Downward\_Mobility_{ij} + \gamma_2 Downward\_Mobility_{ij} * Gender_i + \gamma_3 X_{ij} + \gamma_4 C_j + \gamma_5 Province\right) \quad (2)$$

$$Prob\left(Self\_employment_{ij} = 1\right) = \Phi\left(\gamma_0 + \gamma_1 Downward\_Mobility_{ij} + \gamma_2 Downward\_Mobility_{ij} * Urban_i + \gamma_3 X_{ij} + \gamma_4 C_j + \gamma_5 Province\right) \quad (3)$$

Hypothesis H1 predicts that downward mobility positively affects self-employment. H2 and H3 further suggest that this relationship is moderated by gender and urban context, respectively. To test these hypotheses, we include interaction terms in the models. Additionally, we conduct robustness checks to ensure the validity and reliability of our results.

Results

Table 1 presents the descriptive statistics and correlations for the key variables in this study. The mean value of self-employment is 0.09, with a standard deviation of 0.28, while downward mobility has a mean of 0.29 and a standard deviation of 0.45. Correlation coefficients among the variables were generally significant and aligned with theoretical expectations. For instance, downward mobility shows a positive and significant correlation with self-employment ($r = 0.062$, $p < 0.01$), suggesting a preliminary association consistent with the study's hypothesis.

Additionally, the correlations between other variables, such as employment rate, ln(GDP), and ln(Population), were moderate in magnitude, with the highest correlation observed between employment rate and ln(GDP) ($r = 0.737$, $p < 0.01$). While this indicates some relationship, the overall magnitude of correlations across the table remains within acceptable limits. Combined with the variance inflation

factor (VIF) results, this suggests that multicollinearity is unlikely to pose a significant issue in the subsequent regression analysis.

Insert Table 1 about here

Probit regression analysis is employed to test the hypotheses, with the results presented in Table 2. Entrepreneurship serves as the dependent variable. Model 1 is the base model, including only control variables at the individual level (e.g., gender, age, marital status, education) and county level (e.g., population, GDP, employment rate). This model indicates the heterogeneity in the effect of control variables on the dependent variable.

Hypothesis 1 posits that individuals who experience downward mobility are more likely to engage in entrepreneurship. Model 2 tests this main effect, and the results provide support for H1, as the marginal effect of downward mobility is positive and statistically significant (0.028, z=2.96, p<0.01). Notably, the inclusion of downward mobility leads to the largest increase in the pseudo R^2.

Hypothesis 2 (H2) posits that gender moderates the relationship between downward mobility and entrepreneurship. Consistent with our expectations, Model 3 reveals that the positive effect of downward mobility is stronger for women, as evidenced by the positive and significant coefficient of the interaction term between downward mobility and gender ($\beta = 0.217$, $z = 7.6$, $p < 0.05$). This result suggests

that women are more likely to use entrepreneurship as a response to downward mobility, providing support for H2.

Hypothesis 3 (H3) proposes that the effect of downward mobility on entrepreneurship is moderated by the urban context. However, Model 4 does not find statistically significant evidence to support H3, as the interaction term between downward mobility and urban context is not significant (z=−1.51). Model 5 tests the full model, including both interaction terms. Consistent with the results from Model 3, the interaction between downward mobility and gender remains positive and significant (β = 0.225, z = 2.49, p < 0.05), providing additional evidence to support H2. This confirms that the positive effect of downward mobility on entrepreneurship is more pronounced for women.

Insert Table 2 about here

Robustness checks

We conducted a series of robustness checks to ensure the reliability of our results. First, while endogeneity is unlikely to be a major concern in this study, we address it formally. Our dependent variable, entrepreneurship, is time-lagged relative to the independent variable, downward mobility. This time lag mitigates immediate simultaneity concerns. Moreover, reverse causality is theoretically implausible because if downward mobility were driven by entrepreneurship failure, individuals would likely be discouraged from pursuing entrepreneurship again due

to resource depletion and the psychological impact of past failure. Nevertheless, to account for any potential omitted variable bias, we conducted an instrumental variable (IV) estimation.

We use the average education level at the county level as the instrumental variable. Education is very closely linked to social mobility but does not necessarily have a direct effect on entrepreneurship, making it a suitable instrument. While it is possible that education levels reflect broader economic development, we control for county-level GDP per capita and employment rate to isolate its indirect effect. The first-stage F-statistic is 18.002 (Table 3), exceeding the conventional threshold of 10, which confirms the strength of the instrument. The positive relationship between average education level and downward mobility provides support for the devaluation of education mechanisms, where higher education levels may lead to status mismatch and downward mobility.

Second, to validate our results further, we re-estimate the model using a logit specification instead of a probit model. The logit model provides consistent results, reinforcing the robustness of our findings. Third, we cluster the standard errors at the provincial level to account for potential arbitrary correlation between counties within the same province. Higher-level clustering allows for more conservative standard errors by accounting for wider-scale correlations. The results remain consistent and statistically significant, providing further confidence in our conclusions.

Insert Table 3 about here

Post-hoc Analysis

To further probe the observed relationship, we conducted a series of post-hoc analyses.

First, we examined whether age impacts the effect of intergenerational downward mobility on entrepreneurial entry. We divided the sample into three age groups: 16–30, 31–45, and 46–60. The results show that the positive effect of downward mobility is significant for individuals aged 31–45 ($\beta = 0.04$, $z = 2.81$) and 46–60 ($\beta = 0.03$, $z = 2.47$), but not for those aged 16–30 ($\beta = 0.014$, $z = 0.59$). This pattern is theoretically plausible. Younger individuals may still perceive traditional career pathways as viable routes to achieving their parents' occupational status, thereby reducing the urgency to pursue alternative paths like entrepreneurship. In contrast, those above 30 may come to recognize the diminishing feasibility of changing status quo through conventional means, especially as career progression slows. Individuals in the 31–45 age range may also possess the necessary resources – such as experience, networks, and capital – to initiate entrepreneurial ventures.

Second, we explored whether individuals' family class origin affects the relationship. Given that resource endowments and psychological schemas vary across social classes, individuals may interpret and respond to downward mobility differently. The effect is positive and significant only for individuals from middle-class backgrounds ($\beta = 0.048$, $z = 3.86$). This is consistent with the notion that

middle-class individuals are more likely to experience downward mobility and may also have stronger motivations to recover lost status. In contrast, individuals from lower-class origins may lack sufficient resources to pursue entrepreneurship, while those from upper-class families may have alternative means to maintain or recover status.

Third, we compared the effects of different mobility trajectories – upward mobility and status stability – on entrepreneurial entry. The effect of upward mobility is positive but statistically insignificant, suggesting that individuals who have already experienced upward movement may exhibit greater risk aversion or less urgency to change course. Conversely, individuals who experienced no mobility are significantly less likely to engage in entrepreneurship ($\beta = -0.035$, $z = -3.09$), consistent with the notion that status stability may diminish the motivation to pursue change-oriented action.

Insert Table 4 about here

DISCUSSION

Who becomes an entrepreneur is a long-lasting question in entrepreneurship research. This study investigates how intergenerational downward mobility affects entrepreneurial entry, a critical yet underexplored phenomenon in the context of modern economic and social changes. Historically,

large-scale upward mobility was observed due to industrialization, economic expansion, and the returns to education (Porter, 1968). However, in the post-industrial era, these benefits have been diminishing. Structural changes in the economy, alongside the declining effectiveness of education in securing upward mobility, have led to a growing inability of individuals to replicate their parents' achievements in many societies (Kurer & Staalduinen, 2022). Those who once successfully climbed the social ladder often find their children unable to maintain – let alone surpass – their social and occupational standing.

A growing body of research in sociology and management has begun to document the psychological and behavioral consequences of social mobility, linking mobility experience to variations in voice (Martin & Harrison, 2022), voting behaviors (Kurer & Staalduinen, 2022), risk preference (Kish-Gephart & Campbell, 2015), social responsibility (Campbell & Kish-Gephart, 2024), and cultural abilities (Martin & Cote, 2019). However, with the exception of some recent work (Brändle et al., 2024; Mafico et al., 2024), we still know little about how social mobility, specifically intergenerational downward mobility shapes a consequential economic behavior: entrepreneurial entry.

To explore this question, we draw on Kurer and Staalduinen's (2022) work and conceptualize intergenerational downward mobility as status loss. It reflects negative status discordance, i.e., the misalignment between childhood-based status expectations and adulthood outcomes. Such unmet status expectations create unique psychological strain and threaten individuals' social identity (Bourdieu, 1984). We propose that individuals who experience status loss are

more likely to engage with entrepreneurship as a status-restorative response, as it offers an alternative path to regain agency, reconstruct self-worth, and reassert symbolic relevance (Quadrini, 2000). We further theorize that this relationship is shaped by boundary conditions—namely, ascribed status (e.g., gender) and living context (e.g., urban vs. rural environments)—which may amplify or attenuate the perceived severity of status loss and the viability of entrepreneurship as a response.

To test our hypotheses, we draw on nationally representative panel data covering 8,597 individuals across 25 provinces in China between 2010 and 2018. The dataset provides rich longitudinal information on household dynamics and economic activities. China presents a theoretically relevant context for this study, given its dramatic transformation in intergenerational occupational mobility over the past three decades following the reform and opening-up period (Bian, 2002). This transformation has been shaped by rapid economic development, urbanization, and a societal transition from agrarian to post-industrial structures (Allen et al., 2005). Moreover, previous research has established the comparability of China's occupational prestige hierarchy to international standards (e.g., Treiman, 1977; Li, 2005), supporting its validity for studying status-based mechanisms.

We find that intergenerational downward mobility is positively associated with entrepreneurial entry, underscoring the role of status loss as a key driver of entrepreneurial behavior. Our results also reveal that women are more likely than men to engage in entrepreneurship in response to status loss. This gendered pattern may be better understood through the lens of ascribed status—social

positions assigned at birth, such as gender, that shape individuals' life chances independent of their efforts. As an ascribed status, gender structures women's access to opportunities, societal expectations, and available coping strategies. Consequently, women may experience status loss more acutely, facing heightened psychological strain and more constrained pathways to status recovery. In this context, entrepreneurship may emerge as a comparatively more viable—or even singular—avenue for restoring agency, identity coherence, and social relevance. However, we do not observe a significant moderating effect of urban versus rural context. One plausible explanation lies in the increasing convergence between urban and rural environments: enhanced mobility and communication technologies may have blurred traditional distinctions in opportunity structures, thereby reducing contextual variance in entrepreneurial motivations.

Our study makes several contributions. First, we contribute to the entrepreneurship literature by introducing status loss as a distinct and underexplored psychological impetus for entrepreneurial entry. The inquiry of what motivates individuals to become entrepreneurs has remained a persistent focus of interest (Carsrud & Brännback, 2011). While prior research has emphasized motivations such as financial gain, autonomy, and achievement, we suggest that the desire to restore or preserve one's social standing can also be a powerful driver. We also reverse the dominant perspective in prior research, which typically positions entrepreneurship as a facilitator of social mobility. Instead, we demonstrate that experiences of downward mobility – particularly those marked by identity-disruptive status loss – can initiate entrepreneurial behavior. By integrating

downward mobility into the entrepreneurial framework, we demonstrate how individual-level psychological factors and class-level environmental constraints interact to shape entrepreneurial decisions. This integrated approach provides a more holistic understanding of entrepreneurial motivations and offers a theoretical foundation for future studies to explore the dynamic interplay between social mobility, status, and entrepreneurship.

Second, we contribute to the research on the implications of social mobility by extending it to economic outcomes. As encapsulated by the question “Where should I be?”, mobility-induced status discordance creates tension between one’s inherited identity and achieved position. We theorize that entrepreneurship serves as a form of behavioral resolution, allowing individuals to restore symbolic coherence, reassert personal agency, and reclaim a sense of control in the aftermath of status loss. Our findings thus suggest that social status is not merely inherited or passively held but actively negotiated and reconstituted through entrepreneurial action. In doing so, we respond to recent calls to examine how individuals adapt and act upon mobility experiences and move beyond affective or attitudinal outcomes of mobility to highlight its implications for strategic economic action (Phillips et al., 2020).

We also contribute to the literature on status loss by extending its application to the domain of social mobility and entrepreneurship, particularly through the lens of intergenerational mobility and occupational change (Audretsch, et al, 2013; Quadrini, 2000). While much of the existing research in organizational studies examines the outcomes of status in terms of race, language, or hierarchical

position, our study introduces a novel perspective by focusing on intergenerational comparisons (Clemens, 2006; Neeley, 2013; Marr & Thau, 2014). By examining how status changes between parents and their children influence an important organizational outcome – entrepreneurship – our research bridges the gap between mobility studies and entrepreneurial behavior. This intergenerational perspective not only broadens the scope of status loss research but also highlights the long-term implications of downward mobility for entrepreneurial decision-making.

Our research has important practical implications, particularly for fostering new entrepreneurial activity. Entrepreneurship has increasingly become a strategy for individuals to navigate social change and address the challenges posed by status loss. We demonstrate that individuals experiencing downward mobility represent a potentially significant force of new entrepreneurs. Unlike necessity-driven entrepreneurship (Fairlie & Fossen, 2018), which is often motivated by economic survival, this group is “pushed” into entrepreneurship by intrinsic motivations rooted in a desire to restore their social status and regain societal recognition. Understanding this dynamic provides valuable insights for policymakers and practitioners. Tailored interventions, such as mentorship programs, entrepreneurial training, and access to resources, could help individuals experiencing downward mobility harness their intrinsic motivations more effectively. Additionally, creating supportive environments that reduce the stigma associated with status loss and foster entrepreneurial ecosystems can further empower this group to succeed. Ultimately, empowering downwardly mobile individuals through

entrepreneurship may serve as a stabilizing force in an era of increasing economic and social dislocation.

One limitation of our study lies in its focus on intergenerational downward mobility, which considers status changes across generations, specifically between parents and their children. While this perspective provides valuable insights into the long-term effects of status loss, it does not account for intra-generational mobility, or status changes that occur within an individual's life span. For instance, individuals may experience upward or downward mobility at different points in their careers, and these transitions could significantly influence their entrepreneurial motivations and behaviors. Our study is unable to disentangle these potential intra-generational effects from the broader intergenerational dynamics observed in our analysis, yet this is an important area for future research in mobility.

Future research could address this limitation by using life history theory as its basis, to examine how both intergenerational and intra-generational mobility interact to shape entrepreneurial decisions. For example, longitudinal studies could track individuals over time to capture the dynamic nature of mobility within their own life spans. This approach would enable researchers to explore questions such as whether intra-generational mobility amplifies or mitigates the effects of intergenerational mobility on entrepreneurial behavior. Additionally, integrating detailed career histories and individual life events could provide a more nuanced understanding of how mobility patterns influence status perceptions and entrepreneurial motivations.

Another limitation of our study is that it primarily focuses on gender and geographic context as moderators in the relationship between downward mobility and entrepreneurship. While these factors provide important insights, our analysis does not account for individual-level personality traits that may also influence how people respond to status loss. For example, traits such as risk tolerance, self-efficacy, or resilience could significantly shape entrepreneurial motivations and decisions, potentially mediating or moderating the effects of downward mobility.

Future studies could explore the role of personality traits in moderating the relationship between status loss and entrepreneurship. For instance, researchers could investigate whether individuals with higher levels of risk tolerance are more likely to pursue entrepreneurship as a response to downward mobility, or whether resilience mitigates the psychological challenges associated with status discordance. Incorporating personality assessments into survey designs or leveraging experimental approaches could provide deeper insights into the interplay between individual characteristics, social mobility, and entrepreneurial behavior. This line of inquiry would contribute to a more comprehensive understanding of the heterogeneous responses to downward mobility and expand the theoretical framework of entrepreneurial motivations.

In summary, this study investigates intergenerational downward mobility as an underexamined driver of entrepreneurial behavior. We demonstrate that status loss, emerging from the misalignment between inherited and achieved status, generates identity dissonance and psychological strain – thereby motivating individuals to pursue entrepreneurship as a means of restoring symbolic coherence

and reclaiming agency. By uncovering these dynamics, our research contributes to three intersecting literatures: (1) it advances entrepreneurship theory by introducing status-restoration motivation as a novel driver; (2) it enriches social mobility research by examining its behavioral consequences; and (3) it extends status theory by framing mobility-induced identity tension as a catalyst for economic action.

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APPENDICES

Table 1 Descriptive statistics and correlations of variables

Variable	Mean	SD	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
1.Self employment	0.09	0.28												
2. Downward mobility	0.29	0.45	0.062***											
3. Gender	0.48	0.5	-0.067***	-0.058***										
4. Urban	0.38	0.49	0.038***	0.256***	-0.037***									
5. Age	41.73	10.59	-0.125***	-0.101***	-0.059***	-0.107***								
6. Marital status	0.9	0.3	-0.019*	-0.062***	0.056***	-0.074***	0.332***							
7. Education	2.68	1.37	0.053***	0.159***	-0.146***	0.430***	-0.285***	-0.123***						
8. Migrate	0.23	0.42	-0.004	0.062***	0.085***	0.169***	-0.022**	0.004	0.135***					
9. Party	0.08	0.28	-0.019*	0.015	-0.162***	0.142***	0.074***	0.029***	0.320***	0.035***				
10. Siblings	2.92	1.74	-0.071***	-0.091***	0.051***	-0.200***	0.444***	0.212***	-0.298***	0.002	-0.004			
11. ln(Population)	13.05	0.8	0.024**	0.112***	-0.012	0.19***	-0.053***	-0.040***	0.166***	0.036***	0.007	-0.101***		
12. ln(GDP)	10.04	1.01	0.018	0.272***	-0.032***	0.446***	-0.098***	-0.084***	0.369***	0.158***	0.033***	-0.218***	0.457***	
13. Employment rate	74.63	5.52	-0.002	0.239***	-0.030***	0.378***	-0.052***	-0.050***	0.347***	0.110***	0.048***	-0.178***	0.343***	0.737***

Note: Significance levels are indicated as *** for 1%, ** for 5%, and * for 10%. Downward mobility denotes intergenerational downward mobility.

Table 2 Hypothesized Effect

	Model 1	Model 2	Model 3	Model 4	Model 5
Gender	-0.055***	-0.054***	-0.052***	-0.053***	-0.052***
	(-6.95)	(-6.8)	(-6.76)	(-6.78)	(-6.76)
Age	-0.004***	-0.004***	-0.004***	-0.004***	-0.004***
	(-5.44)	(-5.38)	(-5.38)	(-5.46)	(-5.42)
Marital status	0.028*	0.029*	0.030**	0.030**	0.030**
	(-1.93)	(-1.94)	(-2.00)	(-2.01)	(-2.01)
Education	0.000	0.000	0.000	0.000	0.000
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Urban	0.008	0.009	0.008	0.009	0.009
	(-0.9)	(-0.57)	(-0.58)	(-0.58)	(-0.58)
Migrate	0.067	0.066	0.064	0.066	0.067
	(-0.56)	(-0.56)	(-0.56)	(-0.56)	(-0.57)
Party	-0.028	-0.029	-0.028	-0.029*	-0.028
	(-1.58)	(-1.62)	(-1.62)	(-1.67)	(-1.57)
Siblings	-0.002	-0.002	-0.002	-0.002	-0.002
	(-0.49)	(-0.45)	(-0.45)	(-0.44)	(-0.43)
Population	0.012	0.013	0.013	0.013	0.013
	(-1.13)	(-1.14)	(-1.14)	(-1.14)	(-1.13)
GDP	-0.013	-0.014	-0.014	-0.014	-0.014
	(-1.23)	(-1.42)	(-1.43)	(-1.41)	(-1.4)
Employ rate	0.003	0.002	0.002	0.002	0.003
	(-1.28)	(-1.12)	(-1.12)	(-1.12)	(-1.13)
Downward mobility		0.028**	0.029**	0.032**	0.031**
		(-2.96)	(-2.88)	(-3.08)	(-3.22)
Downward Mobility × Gender			0.217**		0.225**

			(-7.6)		(-2.49)
Downward Mobility × Urban				-0.197	-0.209
				(-1.51)	(-1.62)
Pseudo R^2	0.0519	0.0549	0.056	0.056	0.0572
N	8,597	8,597	8,597	8,597	8,597

Note: The dependent variable is entrepreneurship. Standard errors are clustered on the county level in parentheses. Province fixed effect included but not reported. Significance levels are indicated as *** for 1%, ** for 5%, and * for 10%. All reported estimates are average marginal effects from probit models, except for interaction terms, which are reported as coefficients. Downward mobility denotes intergenerational downward mobility.

Table 3 Instrumental Variable Estimation Results

	First Stage	Second Stage
	DV: Downward Mobility	DV: Entrepreneurship
Average Education	0.208***	
	(-4.5)	
Down mobility		1.097**
		(-2.55)
Control variables	YES	YES
	(-0.22)	(-0.66)
First stage F statistic	18.002	
Observations	8,597	8,597

Note: The dependent variable is entrepreneurship. Standard errors are clustered on the county level in parentheses. Province fixed effect included but not reported. Significance levels are indicated as *** for 1%, ** for 5%, and * for 10%. Downward mobility denotes intergenerational downward mobility.

Table 4 Post-hoc Analysis

	Model 6	Model 7	Model 8	Model 9	Model 10	Model 11	Model 12	Model 13
	Age (16-30)	Age (31-45)	Age (45-60)	Low	Middle	High		
Downward	0.014	0.04**	0.03**	-0.014	0.048***	0.06		
	(0.59)	(2.81)	(2.47)	(-0.31)	(3.86)	(1.62)		
Upward							0.001	
							(0.08)	
No mobile								-0.035***
								(-3.09)
Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Pseudo R^2	0.0618	0.0386	0.0781	0.0747	0.045	0.1155	0.0519	0.0566
N	1485	3774	3320	791	6636	1026	8597	8597

Note: The dependent variable is entrepreneurship. Standard errors are clustered on the county level in parentheses. Province fixed effect included but not reported. Significance levels are indicated as *** for 1%, ** for 5%, and * for 10%. All reported estimates are average marginal effects from probit models. Downward denotes intergenerational downward mobility. Upward denotes intergenerational upward mobility. No mobile denotes individuals without mobility experience.

CHAPTER 3

Are All Entrepreneurs Penalized Equally? How Entrepreneurial Skill Sets Influence Labor Market Outcomes

ABSTRACT

A growing body of research shows that entrepreneurial experience is often discounted in traditional labor markets, resulting in less favorable outcomes for former entrepreneurs. However, this line of research tends to conflate entrepreneurial experience with generalist profile and pays limited attention to an important variation in entrepreneurial human capital – skill heterogeneity. To address this issue, we examine how different skill-based signals influence employer evaluations by distinguishing between specialist entrepreneurs – who cultivate deep expertise in a focused functional domain – and generalist entrepreneurs – who develop broad, cross-functional skills during their ventures. Drawing on insights from social categorization theory, we theorize that the penalty often associated with entrepreneurial experience stems from the ambiguity of generalist profiles, and that clearly defined specialist profiles can mitigate this penalty by offering more interpretable signals of competence and commitment. We test our hypotheses through a resume-based field experiment in the Chinese labor market, involving 875 applications across two occupational sectors. Results show that specialist former entrepreneurs do not face an entrepreneurial penalty. They receive significantly more callbacks than generalist entrepreneurs and their callback rates are statistically indistinguishable from those of specialist employees without entrepreneurial experience. By shifting the focus from who entrepreneurs *are* to *what they have done*,

our study reveals that the hiring penalty is not inherent to the entrepreneurial experience, but contingent on how entrepreneurial skills are structured and interpreted by employers.

Keyword: Entrepreneurial human capital, Labor market outcome, Field experiment, Career transition, Hiring strategy

INTRODUCTION

Extant research indicates that many entrepreneurs eventually return to paid employment – a career transition that has become increasingly prevalent (DeTienne, 2010; Dillon & Stanton, 2017). While previous research has largely focused on entrepreneurship as a career entry, much less is known about what happens when they leave it – particularly when they seek to return to the labor market (Burton et al., 2016). Understanding how entrepreneurial experience is evaluated by employers is crucial - both for former entrepreneurs seeking reentry into traditional employment and for organizations aiming to leverage entrepreneurial talent (Chadwick & Dabu, 2009; Molloy & Barney, 2015).

Prior research often links entrepreneurial experience to valuable human capital - broad skills, cross-functional knowledge, and adaptive capabilities - acquired through venture creation and operation activities (Lazear, 2004). However, recent studies seem to highlight a paradox: at the point of hiring, these attributes tend to be interpreted as negative signals and therefore discounted (e.g., Ding et al., 2023; Küsshauer & Baum, 2023). Hiring managers tend to perceive these characteristics as lacking role-specific

specialization, posing risks to person-job fit and exhibiting lower long-term organizational commitment (Mahieu, et al., 2021; Waddingham et al., 2024; Botelho & Chang,2023), which subsequently translate into labor market penalties associated with entrepreneurial backgrounds (Kacperczyk & Younkin, 2022).

Despite valuable insights from this line of research, much of the existing work is limited by the tendency to equate entrepreneurial experience with generalist experience (Åstebro & Thompson, 2011). This depiction fails to accurately reflect the contemporary entrepreneurial landscape, wherein ventures are predominantly founded by teams of specialists rather than individual generalists (Wasserman, 2012). As Lazar et al. (2022: 1111) point out, entrepreneurship increasingly resemble “an integrative system of specialized knowledge, skills, and compatibilities coordinated and synthesized across multiple cofounders” - more akin to an orchestra than a solo performance. This shift in the nature of entrepreneurial organizing implies that prior studies may have inadvertently overgeneralized the implications of entrepreneurial experience. Specifically, treating all former entrepreneurs uniformly as generalists likely obscures significant heterogeneity in skill configurations, leading to incomplete or biased interpretations of how such individuals are evaluated upon labor market reentry.

To address this issue, we draw a distinction between specialist and generalist entrepreneurial experiences. Rather than focusing on pre-entry entrepreneurship attributes, we conceptualize skill development as an outcome of the entrepreneurial process itself (Minniti & Bygrave, 2001). Specifically, we define specialist entrepreneurs as those who primarily build deep expertise in a focused functional domain, such as technology development or human resource management, often aligning their

entrepreneurial activities with the same area they had focused on prior to founding the venture (Kacperczyk & Younkin, 2022; Souitaris, et al., 2023).

Drawing on insights from social categorization theory (e.g., Hsu, 2006; Zuckerman et al., 2003), we theorize that the hiring penalty of former entrepreneurs, often attributed to the skill domain spanning of generalist profiles, are offset for specialist entrepreneurs as their specific expertise transmits additional and more interpretable signals (Souitaris et al., 2023), which serves as concrete reference points to assess capabilities and commitment of former entrepreneurs (Leung, 2014; Mahieu et al., 2021). We further argue that the discount associated with generalist skill profiles is amplified for female entrepreneurs as such profiles violate both gender-based norms and organizational role-based expectations of specialization (Kanze et al., 2018; Strohmeyer et al., 2017).

Our hypotheses are tested using a field experiment. Empirically, identifying the causal effects of entrepreneurial experience on labor market outcomes is complicated by the endogenous nature of career transitions. This approach, commonly employed in previous research (e.g., Botelho & Chang, 2023; Kacperczyk & Younkin, 2022), therefore allows us to isolate how employers respond to different entrepreneurial skill profiles. In December 2024, we submitted 1200 fictitious résumés to real job postings in two occupations – human resource management and new media operations – across three major metropolitan areas in China. After excluding posting that were removed shortly after submission, the final sample consists of 875 valid applications. Our results show that specialist former entrepreneurs are more likely to receive callbacks than their

generalist counterpart. Even when compared to employees, they do not experience a statistically significant difference in callback rates.

Our research makes several contributions. First, we contribute to the growing discourse on entrepreneurship as a labor market penalty (e.g., Botelho & Chang, 2023; Kacperczyk & Younkin, 2022; Küsshauer & Baum, 2023) by offering a skill-based explanation. Specifically, we theorize and empirically examine how employers differentially evaluate former entrepreneurs with specialist versus generalist skill profiles. In contrast to the prevailing view that entrepreneurial experience generally triggers unfavorable hiring outcomes, we show that specialist entrepreneurs tend to avoid such penalties, suggesting that skill specialization may buffer against negative employer evaluations.

Second, we contribute to the long-lasting debate on the implications of entrepreneurs being generalists versus specialists (Kacperczyk & Younkin, 2017; Lazear, 2004; Souitaris, et al., 2023). While prior research has primarily examined how audiences such as investors assess entrepreneurs, employers – who play a pivotal role in post-entrepreneurial career transitions – have received less attention. Understanding how they interpret and respond to entrepreneurial experience is essential, as their evaluations directly shape labor market reentry opportunities and the realized returns to entrepreneurship (Campell, 2013). Drawing on a field experimental design, we offer evidence that audiences evaluate specialist entrepreneurial experience more favorably than generalist experience in the context of organizational hiring.

Third, our research offers important practical implications for entrepreneurs, educators, and career advisors. Entrepreneurial education and support programs often

encourage entrepreneurs to become generalists (Wasserman, 2008). Nonetheless, our findings suggest that they may be perceived less favorable by employers when individuals return to paid employment. As such, our findings underscore the importance of strategically shaping skill development during the entrepreneurial journey – not only to support venture success, but also to preserve post-entrepreneurial labor market value.

THEORY AND HYPOTHESES

Entrepreneurial Experience and Reentry into Traditional Labor Markets

Transitioning to paid employment has become an increasingly common pathway for former entrepreneurs (Luzzi & Sasson, 2016). Although this career shift holds important implications for individuals' post-entrepreneurial outcomes as well as firms' human resource strategy (Chadwick & Dabu, 2009; Molloy & Barney, 2015), from a demand-side perspective, a growing body of research has demonstrated that entrepreneurial experience is often discounted at the point of hiring (e.g., Botelho & Chang, 2023; Kacperczyk & Younkin; 2022; Koellinger et al., 2015; Küsshauer & Baum, 2023; Marshall, 2016; Waddingham et al., 2024). For instance, using a résumé-based audit study, Kacperczyk and Younkin (2022) found that male candidates with founding experience received significantly fewer interview invitations, largely because they were perceived as less committed and worse organizational fits compared to non-founders. Similarly, Waddingham et al. (2024), drawing on interviews of recruiters, revealed that employers often harbor negative biases against former entrepreneurs, assuming they are prone to rapid turnover and insubordination.

A central insight from this line of research is that employers often struggle to interpret entrepreneurial experience using conventional evaluation criteria and therefore raise uncertainty as well as the concern about candidates' competence and organizational fit and commitment (Botelho & Chang, 2023; Galperin et al., 2020). Competence pertains to the knowledge and skills accumulated in previous employment, reflecting the candidate's capability to perform effectively, a primary concern given the direct link between employee performance and organizational outcomes (Dokko et al., 2009). Organizational fit and commitment, meanwhile, refers to the likelihood that the candidate will integrate effectively into the firm's culture and remain committed over the long term, which is particular important considering the high costs associated with employee turnover (Cable & Judge, 1997). According to research on recruitment (Cole et al., 2007; Weiss, 1995), employers typically rely on prior work experience as a heuristic to infer candidates' knowledge, skill, attitudes, thereby reducing the information asymmetry during the hiring process (Walker et al., 2013). However, because entrepreneurial experience is often characterized by non-linear career trajectories (e.g., frequent role-switching and blurred functional boundaries), they do not convey clear evaluative signals in the same way that conventional employment histories do (Dyer Jr, 1995; Wilson et al., 2007). Consequently, employers often turn to cognitive shortcuts to interpret this ambiguous information.

Stereotypes – widely shared but simplified beliefs about entrepreneurs – thus emerge as a salient interpretive mechanism in employer evaluation (Agerstrom & Rooth, 2011). Küsshauer and Baum (2023) demonstrated that former entrepreneurs are simultaneously associated with both positive (e.g., hardworking, productive) and

negative (e.g., “hard to tame”, low teamwork capabilities) stereotypes, significantly mediating perceptions of employability. Specifically, negative stereotypes may cast doubt on their interpersonal adaptability within hierarchical teams, leading employers to view them as less suitable for organizational roles. In addition, their findings further indicate that these perceptions are context-dependent rather than uniform. Factors such as job type and the background of recruiters can activate countervailing signals that attenuate the negative influence of stereotypes or mitigate employer uncertainty. Similar moderating effects have also been observed in relation to candidate gender (Kacperczyk & Younkin; 2022), venture outcomes (Botelho & Chang, 2023), and entrepreneurial orientation of recruiters (Ding et al., 2023), suggesting that stereotype-based inferences are sensitive to the broader evaluative context.

While these studies illuminate how stereotypes shape employer evaluation of former entrepreneurs, they pay limited attention to how differences in entrepreneurial skill profiles may inform or counteract such perceptions. A defining characteristic of entrepreneurial careers is the heterogeneity of skill development (Minniti & Bygrave, 2001). Research on organizational theory and entrepreneurship has linked such variation to audience evaluation in the context such as entrepreneurial entry and IPO performance (Kacperczyk & Younkin, 2017; Souitaris et al., 2023). As such, in this research, we distinguish between specialist and generalist former entrepreneurs based on the nature of capabilities they developed during entrepreneurship to investigate how entrepreneurial skills profiles shape recruiters’ evaluations in the hiring context.

Entrepreneurial Skill Pathways and Hiring Decisions

Research on entrepreneurship has long emphasized the value of broad skill sets for venture creation and operation. This line of work stems from Lazear's (2004) classic jack-of-all-trades hypothesis. The central argument is that entrepreneurship requires individuals to manage diverse tasks across multiple functional areas, such as finance, marketing, and operations (Mollick, 2014; Morris et al., 2002; Steininger, 2019). Entrepreneurs are therefore expected to benefit from developing broad range of skills rather than deep expertise in a certain domain, as versatility is seen as key for managing the complexities of new ventures. Empirical evidence supports this view and links the breadth of experience to entrepreneurial entry (Chen & Thompson, 2016; Wagner, 2006), novel ideas (Hargadon & Douglas, 2001), reduced resource costs (Davidson & Honig, 2003) and more favorable entrepreneurial outcomes (Stuetzer et al., 2012; Toft-Kehler et al., 2014).

Sociological accounts on generalists, by contrast, suggest that the broad experience tends to be discounted, thus hindering access to resources. In light of social categorization theory (Hsu et al., 2009; Zuckerman, 1999), audiences tend to classify entities (e.g., individuals, organizations) into categories, which serve as interpretive schemas for understanding the surrounding social environment (Hsu 2006, Negro et al. 2010). This line of research indicates that compared to specialist, generalists, by spanning multiple categories, often introduce ambiguity (either doesn't fit into a single category or transgress too many simultaneously) and are perceived to be more difficult to makes sense of (Zuckerman et al., 2003), less capable (Aldrich & Ruef, 2006), and less committed (Leung, 2014; Leung & Sharkey, 2014).

In the emerging research on how former entrepreneurs are evaluated in traditional labor market, scholars tend to adopt a sociological lens. This body of work often draws from the jack-of-all-trades framework, in which the label “entrepreneur” is implicitly equated with “generalist” (Kacperczyk & Younkin, 2017). Indeed, theoretically, many of the stereotypes used by employers to assess entrepreneurs – such as perceptions of lower commitment or ambiguous qualifications – are primarily rooted in the assumption that entrepreneurs possess seemingly broad but shallow skill sets (Küsshauer & Baum, 2023; Waddingham et al., 2024). Similarly, methodologically, these studies tend to operate entrepreneurial experiences as generalist in nature (Botelho & Chang, 2023; Kacperczyk & Younkin, 2022). Take together, it is reasonable to infer that part of entrepreneurial penalty may, in fact, reflect a broader generalist penalty, consistent with insights from social categorization theory.

As recent studies increasingly recognize the existence of specialist entrepreneurs (Lazar et al., 2022; Jung et al., 2017; Wasserman, 2021), this reinterpretation of prior findings on the entrepreneurial penalty raises an important question: are all entrepreneurs penalized equally in the labor market, or does the nature of their skills profile matter? We argue that specialist entrepreneurs are better positioned to mitigate or avoid the entrepreneurial penalty because their skill profiles are easier for employer to interpret. This interpretability reduces the uncertainty surrounding entrepreneurial experience (Spence, 1973), allowing employers to assess them more directly rather than relying potentially negative stereotypes associated with generalist entrepreneurs. Specifically, we identify two complementary mechanisms through which specialist profiles help reduce hiring biases and lead to more favorable outcomes:

capability signaling, which enables more accurate evaluation of skill-job fit, and commitment signaling, which counters stereotypes about former entrepreneurs' long-term commitment. We discuss each of these two possible paths of influence in turn.

First, specialist skill sets are more likely to signal capability clearly and credibly. As modern organizations increasingly emphasize specialization (Borland & Yang, 1992), commonly predefined functional roles (Shanteau 1992) often require employers to evaluate capability of candidates along two key dimensions: fit, which refers to whether the applicant's skills align with the requirements of the position; and proficiency, which denotes whether the depth of expertise indicates the potential to perform effectively (Leung, 2014; Galperin et al., 2020). Specialist entrepreneurs are more likely to excel on both dimensions. Specifically, the skills of specialist entrepreneurs often closely resemble the role-specific competencies commonly sought in established organizational settings (e.g., finance, product design, marketing, HR), making them more readily understood and more easily mapped onto existing specialized job structures (Lazear, 2009). Consequently, specialist skills are viewed as more transferable and better suited for traditional employment settings compared to the broad, diffuse skills of generalist entrepreneurs.

Moreover, specialist entrepreneurs are more likely to be perceived as proficient because their focused expertise convey depth and mastery. Scholars suggest generalist– whose experience span multiple domains – risks being viewed as lacking high quality skills (Hsu, 2006; Leung & Sharkey, 2013). As Leung (2014) pointed out, the breadth of experiences can create ambiguity, leading employers to view generalists either as "multi-talented" or as "unsuccessful" in any particular domain. Indeed, Åstebro

and Thompson (2011) suggest that generalist profiles may be interpreted as indicating merely a preference for variety rather than a clear trajectory of capability development. In this regard, generalist entrepreneurs are therefore often assumed to be of low rather than high quality by employers (Botelho & Chang, 2023; Waddingham et al., 2024). Compared to the ambiguity surrounding generalist backgrounds, specialist entrepreneurs project a clearer signal of ability. Instead of investing their finite time and effort in multiple tasks, these entrepreneurs have deliberately devoted themselves to a specific function and to develop one capacity. Therefore, specialist skill sets allow employers to be more confident in inferring the performance potential by their concentration on developing skills in a single category (Hsu, 2006).

Second, specialist entrepreneurs may be perceived to exhibit stronger organizational commitment than generalist entrepreneurs. Empirical research suggests that individuals with a generalist skill set are more inclined toward entrepreneurial activity because the breadth of experience enables them to identify and capitalize on market opportunities more effectively (Chen & Thompson, 2016; Wagne, 2006). Thus, a critical concern for employers when assessing generalist former entrepreneurs is that these candidates have a higher risk of turnover and lower organizational commitment, as their broad skills tend to indicate higher propensity to reenter entrepreneurship. However, this pattern dose not accurately reflect specialist entrepreneurs.

In the hiring context, commitment refers to “the amount of effort that a candidate will be expected to put forth, holding skill constant” (Leung, 2014). In light of this view, a specialist entrepreneur’s continued investment in a focused skill area – even amidst the uncertain and dynamic context of entrepreneurship – should signal their strong and

consistent career orientation. Employers could reasonably infer that specialist entrepreneurs can similarly pursue focused skill development within an established organizational environment, thereby enhancing the evaluation of their adaptability, which is an important factor associated with turnover risks (Botelho & Chang, 2023). In this regard, specialist entrepreneurs are less likely to be perceived through stereotypes that depict entrepreneurship as an identity or long-term lifestyle choice—characterizations commonly applied to generalist entrepreneurs and highly associated with their back to entrepreneurship. Instead, specialist former entrepreneurs are seen as having engaged in entrepreneurship temporarily, either to refine domain-specific expertise or experiment with new ideas (Kerr et al., 2014). This interpretation thus alleviates concerns about volatility and potential turnover, positioning specialist entrepreneurs as more stable and committed hires.

To summarize, the disadvantages commonly associated with generalist entrepreneurs in hiring context, such as misalignment between their broad skill sets and the specialized requirements of corporate roles, are less likely to apply to specialist entrepreneurs. Therefore, specialist entrepreneurs are expected to receive more favorable evaluations from employers. Based on these arguments, we propose that:

Hypothesis 1: Specialist former entrepreneurs are more likely to receive callbacks from employers compared to generalist former entrepreneurs.

While we have argued that specialist entrepreneurs are evaluated more favorably than their generalist counterparts due to their concentration on a particular skill category, it is important to consider whether former entrepreneurs with specialist skill

sets are also evaluated more positively compared to specialist employees – the traditional benchmark in labor market assessment (Ding et al., 2023; Küsshauer & Baum, 2023). This comparison lies at the heart of research on the returns to entrepreneurial human capital, which seeks to understand whether the distinctive capabilities developed through entrepreneurial environment are rewarded in traditional organizational settings (Campbell, 2013). We theorize that although both groups may possess similar function-specific skills, employers tend to perceive specialist former entrepreneurs more favorable due to the context in which those skills were developed.

Entrepreneurial environments, which are typically characterized by high uncertainty (McMullen & Shepherd, 2006), require individuals to exercise greater autonomy, focus, and resilience when developing and applying their expertise (Maine et al., 2015). For instance, empirical research often indicates that specialists launch new ventures to exploit opportunities within their field of expertise (Rothaermel et al., 2007). Unlike working within established firms, where bureaucratic inertia and hierarchical structure may slow innovation (Thompson, 1965), venturing process fosters rapid experimentation under uncertainty, allowing specialist entrepreneurs to test and refine ideas in real time while receiving immediate and unfiltered market feedback (Lindholm-Dahlstrand et al., 2019). Through such iterative learning process, specialist entrepreneurs become more resilient and cultivate a fine-tuned awareness of market dynamics, customer needs, and competitive shifts, a capability that are less accessible to professionals working within the more structured corporate settings (Bridge, 2021).

Another defining characteristic of the entrepreneurial environment is resource constraint. Many new ventures start with limited access to financial, human, and other

resources, making it difficult for entrepreneurs to rely on conventional solutions (Stinchcombe, 1965). In response, entrepreneurs often develop a distinctive capability—bricolage, which refers to “making do with whatever is at hand” to creatively solve problems under constraint (Baker & Nelson, 2005). This form of constrained-induced creativity pushes entrepreneurs to become resourceful actors who can reconfigure available inputs and orchestrate unstructured resources to generate new forms of value (Williams et al., 2021). Such resource orchestration and improvisational problem-solving are rarely developed in traditional employment settings, where individuals typically operate within more structured and well-resourced environments. In this regard, even when specialist entrepreneurs and specialist employees possess comparable domain-specific expertise, entrepreneurs may signal stronger capabilities—not just in task execution, but also in adapting under pressure and leveraging limited resources for strategic gain (Korber & McNaughton, 2017).

Moreover, specialist entrepreneurs are also uniquely positioned to build rich, industry-specific social capital through continuous interactions with investors, clients, suppliers, and other external stakeholders (Baron & Markman, 2003; Kim & Aldrich, 2005). These interactions contribute to the development of extensive external networks that facilitate information exchange, mobilize resources, and promote strategic alliances (De Carolis & Saparito, 2006). In contrast, non-founders are more likely to cultivate strong internal firm networks but may have comparatively limited exposure to the broader industry ecosystem (Sørensen, 2007). From an employer’s perspective, these external-facing networks represent a strategic asset, especially for roles that involve stakeholder engagement, market sensing, or business development (Carmeli et al.,

2010). In this way, we expect that specialist entrepreneurs may not only match specialist employees in technical expertise but also surpass them in industry reach and relational capital, making them more attractive in hiring decisions.

Based on these arguments, entrepreneurship requires individuals to apply specialized knowledge in high-stakes environments, make strategic decision under uncertainty, develop innovative solutions to complex challenges, and operate with a high degree of autonomy (Maine et al., 2015). In this regard, achieving similar levels of skill under entrepreneurial circumstances may be viewed as more difficult, thereby amplifying the strength of the capability signal sent by former entrepreneurs. Therefore, we propose:

Hypothesis 2: Specialist former entrepreneurs are more likely to receive callbacks from employers compared to specialist employees.

Gender and Entrepreneurial Skill Pathways

Our core argument emphasizes that specialist entrepreneurs are evaluated more favorably than generalist entrepreneurs because their focused skill profiles send stronger signals of capability and commitment. However, it is unlikely that such perceptions apply uniformly across all individuals. Indeed, prior research suggests that gender acts as a salient interpretive lens that shapes how employers decode of and respond to applicant cues (Chan & Wang, 2017). For instance, Kacperczyk and Younkin (2022) found that female entrepreneurs are less penalized than their male counterparts, in part because stereotypical expectations, such as being more agreeable and

compliant, counterbalance the perception of autonomy and independence typically associated with entrepreneurship.

Nevertheless, such insights are still premised on the assumption that all entrepreneurial skills are homogeneous. Therefore, there is a need to examine how gender interacts with skill profiles to influence employer evaluations, as skill signals may differ in their interpretability and congruence with gender expectations. We argue that gender moderates the evaluation of post-entrepreneurial career transitions, such that the penalty for generalist skills – relative to specialist ones – is more severe for female former entrepreneurs.

This is because female generalist entrepreneurs are likely to be perceived by employers as less committed because their career trajectories deviate from both gender and skill stereotypes, thereby signaling a stronger inclination to reengage in entrepreneurship (Ridgeway, 2001). One frequently cited challenge for women in entrepreneurship is that entrepreneurial roles are commonly perceived as masculine-typed occupations (Bird & Brush, 2002; Kanze et al., 2018). In sight of this theory, prior research suggests this incongruity can mitigate hiring penalties for female former entrepreneurs, as they are viewed as less prototypical entrepreneurs than their male counterparts and thus may escape some of the negative stereotypes associated with entrepreneurial experience (Kacperczyk & Younkin, 2022; Küsshauer & Baum, 2023). However, we argue that such mitigation is unlikely to extend to female entrepreneurs with generalist profiles. This is because generalist trajectories – marked by breadth, exploration, and flexibility – are themselves as counter-stereotypical for women, who are commonly observed to demonstrate focus, stability, and specialization (Strohmeyer

et al., 2017). As a result, when women present entrepreneurial and generalist characteristics simultaneously, they may be perceived as especially atypical in terms of career development and more agentic. In other words, recruiters may assume these candidates as exceptionally committed to an entrepreneurial identity and have a higher possibility to reenter entrepreneurship. Therefore, the dual norm violation can lead to a stronger hiring penalty for female generalist entrepreneurs.

Based on these arguments, we propose:

Hypothesis 3: Gender moderates the relationship between entrepreneurial skill type and callback likelihood such that the negative effect of having generalist entrepreneurial experience (vs. specialist experience) is stronger for female former entrepreneurs.

METHODOLOGY

Field Experiment: Resume-based Audit Study

To test our hypotheses, we conducted a resume-based audit field experiment in the Chinese labor market. This method, commonly used in previous studies to assess hiring discrimination and employer evaluation of former entrepreneurs (e.g., Botelho & Change, 2023; Kacperczyk & Younkin, 2022), allows us to observe real-world employer behavior in response to systematically varied candidate characteristics. Following established practice, we submitted fictious applications to real job postings, randomly varying whether the candidate had entrepreneurial experience and whether their skill profile reflected a generalist or specialist orientation, and the analyses aim to examine variation in the requests for online interviews.

While this stage represents only the preliminary step of the hiring process, the first impression formed from an application often plays a critical role in shaping employers' perceptions and subsequent decisions. Furthermore, focusing on the early stage of recruitment minimizes potential disruptions for both employers and actual job seekers, ensuring compliance with ethical research standards under institutional review board scrutiny. To reduce the burden on employers, our primary outcome of interest is whether employers contact the candidate (via app or phone) to schedule an interview. In cases where applicants receive an interview invitation, they politely decline, citing the acceptance of another offer as the reason.

This study employs a 3 (employment background: specialist entrepreneur/generalist entrepreneur/ specialist employee) × 2 (gender: male/female) between-subjects design, wherein a single application was submitted for each job posting that met the study's criteria, with entrepreneurial experience randomly varied across candidates. The primary advantage of this approach is that it enables an examination of how entrepreneurial skill sets influence employers' interest in candidates while minimizing the influence of confounding factors. A second advantage is that it avoids potential spillover effects associated with within-subject designs, where submitting multiple resumes to the same employer might raise suspicion or influence evaluation outcomes. For the purposes of this research, this response-based design provides a sufficient basis for assessing the impact of entrepreneurial skill sets on employer evaluations.

Sampling

We sent 1,200 applications between November 2024 and December 2025 for job positions across three major cities in China—Beijing, Shanghai, and Shenzhen—representing the northern, eastern, and southern regions of the country.

The experimental data was collected from BOSS Zhipin (BZ), China's dominant online recruitment platform with three critical advantages for this study: (1) Comprehensive coverage - featuring nationwide job postings across industries and company sizes, ensuring sample representativeness; (2) Massive user base - over 100 million registered users provide sufficient sample size; (3) Operational efficiency - its intuitive interface enables systematic data collection and recording. These characteristics make BZ an optimal platform for employment audit studies.

We strategically selected mid-career (3-5 years' experience) new media operations and human resources positions during China's autumn recruitment peak (November-December) to capture maximum posting volume while avoiding seasonal fluctuations. Three key criteria informed this selection: (1) Divergent Entrepreneurial Contexts. New media roles embody China's dynamic startup ecosystem. Their project-based nature and low entry barriers foster entrepreneurial mobility. Conversely, HR positions exhibit institutional stability, creating a natural contrast in organizational environments; (2) Moderate specialization. Unlike highly technical roles (e.g., software engineering) requiring verifiable certifications, these fields permit credible resume construction while maintaining necessary professionalism. Our pilot tests showed 73% resume acceptance rates for these roles versus 32% for engineering positions, validating their audit feasibility. (3) Market prevalence. Accounting for 18.7% of all professional postings on BZ during our study period (vs. 6.3% for engineering roles),

these high-demand occupations enabled efficient data collection. This prevalence also enhances the ecological validity of our findings regarding online hiring practices.

Resume Construction

For each open position, we submitted only one application to maintain the between-subject design of our study. This design necessitates a high degree of similarity across resumes to ensure that any observed differences in employer responses can be attributed solely to the randomly assigned entrepreneurial experiences. To minimize discrepancies between the fictitious resumes and real-world resumes, we collected and analyzed job requirements across all targeted positions. This allowed us to extract common features such as average years of work experience, educational qualifications, and essential skills. As a result, the resume information was meticulously constructed in alignment with BZ's standardized requirements and included applicants' names, ages, genders, educational backgrounds, work experiences, skills, and language abilities, among other key details.

In China, job seekers are typically required to use standardized resume templates provided by recruitment platforms like BZ when applying for positions. Personal resumes cannot be uploaded; instead, applicants must fill out mandatory fields within the platform's template. This standardization further ensured consistency across our fictitious applications. The applicants depicted in our fictitious resumes were portrayed as graduates from "211 Project" universities with majors in Journalism or Chinese Language. This controls for institutional prestige variance, as HR recruiters typically view admission standards across similarly ranked 211 universities as statistically equivalent[i]. These academic backgrounds align with the qualifications

typically sought by employers for new media and human resources (HR) positions in major metropolitan areas such as Beijing, Shanghai, and Shenzhen. Skills and language proficiencies were kept uniform across all resumes to meet general job requirements.

To neutralize potential bias associated with names, we randomly selected male and female names from the top 10 most common names in China, based on data from the Sixth National Population Census (2010). This approach ensured that names did not inadvertently influence employer responses.

Additionally, recognizing that entrepreneurial experiences often correlate with age (Azoulay et al., 2020), we held the applicants' ages constant at 28 years. Similarly, given the relationship between age and work experience, we standardized working experience at six years for all applicants. Through these controlled design choices, we ensured that all non-entrepreneurial background factors remained consistent in the eyes of hiring manager**s. Pilot data from 10 HR evaluators indicated uniformly consistent scoring across resume components except entrepreneurial experience.** Consequently, any observed differences in callback rates can be confidently attributed to the randomly assigned entrepreneurial experiences.

Signaling Skill Sets of Entrepreneurs (Generalist versus Specialist Entrepreneurs)

To identify how skill sets acquired during entrepreneurship affect hiring outcomes, we constructed three experimental conditions: specialist entrepreneur, generalist entrepreneur, and a control group of specialist employees. Each fictitious résumé included three sequential job experiences. The first two positions were

standardized across all conditions to reflect conventional employee roles in established firms. This design controls for pre-entrepreneurial work experience (Mahieu et al., 2021), allowing us to isolate the signaling effects of the third and most recent job entry—where variation in employment background was introduced.

In the control group, the applicant's most recent position was listed as "New Media Manager" or "HR Manager" at a midsized local firm, indicating a specialist employee without entrepreneurial experience. For both types of entrepreneurs, the most recent job was presented as "Co-founder" of a start-up in either New Media or HR services, respectively indicating self-employment and entrepreneurial initiative.

To differentiate skill sets developed during entrepreneurship, we refined both job titles and descriptions:

Specialist entrepreneurs were labeled "Co-founder and New Media Partner" or "Co-founder and HR Partner", depending on the industry. Their job descriptions emphasized focused functional responsibilities that aligned with their pre-entrepreneurship specialization. For instance, New Media specialists were described as responsible for digital content production and social media operations. HR specialists, in contrast, were described as focusing on recruitment strategy and personnel assessment. In both cases, the entrepreneurial role-maintained continuity with prior functional experience, signaling deep, domain-specific expertise and reinforcing a specialist identity.

Generalist entrepreneurs were titled "Co-founder and CEO". Their descriptions highlighted broad, cross-functional responsibilities across strategic planning, finance, marketing, and operations—reflecting diverse skill development during the

entrepreneurial episode. These applicants were positioned as organizational generalists capable of navigating complex, multi-domain challenges (Luzzi & Sasson, 2016).

Procedures

We screened job postings and submitted resumes between late November and early December 2024 for positions in New Media and Human Resources advertised on the BZ platform. In the Chinese labor market, there are two major recruitment seasons: autumn and spring, with peak hiring activities concentrated in these periods. Our study aligned with the autumn recruitment season to ensure ample job vacancies and sufficient experimental samples.

A total of 1,200 positions were initially identified. However, due to the rapid turnover of job postings on mobile recruitment platforms, some positions closed within two days of application submission. As a result of this data attrition, our final sample size was reduced to 875 positions[ii].

Since the job-seeking process on platforms like BZ is not solely determined by resumes or CVs, but also by online communication between applicants and employers, we trained all participants to ensure that their content of self-introductions and conversations with recruiters were consistent and standardized across all interactions.

The recruitment cycle lasted approximately two weeks from the time of application submission. During this period, researchers monitored and recorded all employer responses, maintaining a consistent process throughout. In addition, we recorded key characteristics of the positions and companies that might potentially influence hiring decisions for future analysis. These characteristics included firm size, financing phase, base city, industry, salary range, and the gender of the recruiter.

RESULTS

Table 1 summarizes the key variables and their definitions. Variable *Response* represents recruiters' feedback, capturing explicit invitations to online interviews, signaling strong employer interest. All primary regression models use *Response* as the dependent variable.

To account for employer-side heterogeneity, we collected the full text of each job posting and hand-coded binary indicators for whether the posting mentioned (1) a preference for "innovative" applicants, (2) "challenge," or (3) "independence." These covariates help control for job–applicant fit, which may influence employers' evaluation of former entrepreneurs. Additional controls include salary level, firm size, and binary-coded industry categories. To address variation in local innovation and entrepreneurship environments, we also included the innovation index of each application city.

Insert Table 1 about here

Table 2 presents the descriptive statistics for the key variables in our study, based on a sample of 875 job applications. The average response rate from employers was 18% (Mean = 0.18, SD = 0.38), indicating a relatively low likelihood of receiving feedback. This response rate aligns with the broader context of China's labor market and previous studies on job application response rates, which typically range between 10 and 20 %in similar audit experiments. Among these responses, only 12% resulted in

requests for CVs or explicit interview invitations (Mean = 0.12, SD = 0.32). Regarding the applicant type, 42% of the resumes represented generalist former entrepreneurs (Generalist), 32% represented specialist former entrepreneurs (Specialist), and the remaining 26% were non-founders. The average salary offered across positions, after winsorization, was approximately 15,000 RMB (Mean = 15, SD = 5.55). Additionally, 52% of the sampled positions were in the new media sector. These statistics provide a foundational overview of employer responsiveness and the distribution of applicant profiles, offering initial insights into the labor market dynamics for entrepreneurial and non-entrepreneurial candidates across different occupational contexts.

Insert Table 2 about here

Our first hypothesis proposed that specialist former entrepreneurs are more likely to receive callbacks from employers compared to those with generalist-skill sets. while hypothesis 2 proposed that specialist former entrepreneurs are more likely to receive callbacks from employers compared to specialist employees. Hypothesis 3 proposed that gender moderates the relationship between entrepreneurial skill type and callback likelihood such that the negative effect of having generalist entrepreneurial experience (vs. specialist experience) is stronger for female former entrepreneurs. The statistical result of the experiment provides initial support for these propositions. As figure 1 depicts the comparison of average response rate from recruiter among former generalist entrepreneur, former specialist entrepreneur and the control group (specialist employees), it shows the consistence with hypotheses. Generalist former entrepreneur

(10.27%) less likely to be invited to interview than specialist employees (19.39%) and specialist entrepreneurs (24.51%), while specialist entrepreneur also receive more interview opportunities than specialist employees.

Insert Figure 1 about here

In Models 1–5 of Table 2, we replicate the earlier comparative results using a logistic regression model. Models 1–4 progressively introduce key control variables step by step, while Model 5 additionally incorporates city fixed effects. The results show that across all five models, the coefficient for Generalist (generalist former entrepreneur) remains consistently negative and statistically significant, providing robust support for Hypothesis 1. Specifically, the negative effect of Generalist persists even after controlling for gender, recruiter gender, salary, and occupation category. Notably, to ensure a clear comparison without the influence of confounding factors, we exclude all observations of specialist former entrepreneurs in Models 1–5 of Table 3.

Insert Table 3 about here

In Table 4, we focus on a subsample that excludes generalist entrepreneurs, ensuring that the coefficient of specialist represents a comparison specifically between specialist former entrepreneurs and specialist employees. As the same method of Models 1–5 in table 4, across all five models, the coefficient for specialist remains consistently negative but not statistically significant, indicating that no solid evidence

supporting Hypothesis 2. However, it also indicates that specialist entrepreneurs did not suffer evaluative penalties relative to specialist employees. Counterintuitively, their entrepreneurial experience may confer a marginal advantage in employer responsiveness with the data of statistics in figure1. This pattern substantiates that the skill-set configuration inherent in entrepreneurial experience—specialized versus generalized—rather than entrepreneurial status per se, constitutes the primary determinant of differential employment outcomes.

Insert Table 4 about here

To test Hypothesis 3, we included an interaction term between gender and entrepreneurial skill type. As shown in Table 5, the coefficient for Generalist * Female is significantly negative across Models 1–5, supporting Hypothesis 3. This indicates that female generalist entrepreneurs face a stronger hiring penalty compared to both specialist female entrepreneurs and male generalists. The broad and flexible skill trajectory signaled by generalist entrepreneurship may conflict with gendered expectations that women are stable, focused, and consistent (Strohmeyer et al., 2017). As a result, female generalists may be viewed as doubly non-conforming—both entrepreneurial and non-specialist—triggering greater employer skepticism and concerns about return-to-entrepreneurship risk. These findings reveal a compounded disadvantage for female generalist entrepreneurs and nuance prior evidence suggesting that women face reduced penalties when re-entering the labor market after entrepreneurship.

Insert Table 5 about here

DISCUSSION

Hiring is widely understood as “investment under uncertainty” (Spence, 1973). Recent research on hiring former entrepreneurs suggests that while entrepreneurial experience is often recognized as valuable (Chadwick & Dabu, 2009; Molloy & Barney, 2015; Lappi, 2024), it amplifies uncertainty and is therefore discounted in hiring decisions (e.g., Botelho & Change, 2023; Kacperczyk & Younkin, 2022; Küsshauer & Baum, 2023; Waddingham et al., 2024). Indeed, lacking comparable information to organizational roles, hiring managers tend to rely on stereotypes when evaluating former entrepreneurs (Küsshauer & Baum, 2023). These stereotypes, such as poor organizational fit and low commitment, contribute to less favorable evaluation and reinforce the so-called “entrepreneurial penalty” (Kacperczyk & Younkin, 2022). However, prior research has largely treated entrepreneurs as a uniform category—implicitly assuming that they are generalists. This assumption overlooks the heterogeneity of entrepreneurial skill development and how it might shape employer evaluations. To address this issue, in this study, we theorize and examine how entrepreneurial experience with different skill sets developed during entrepreneurship affect traditional employment outcome.

We propose that the entrepreneurial penalty can be understood as a manifestation of the generalist penalty. Specifically, former entrepreneurs with generalist skill profiles are more likely to be evaluated negatively due to the ambiguity

and perceived lack of fit associated with skill-spanning backgrounds. In contrast, specialist entrepreneurs—who focus on developing expertise in a specific functional area—signal greater capability and long-term commitment, making them more likely to receive favorable evaluations from employers. Furthermore, we argue that gender moderates this relationship. When generalist and gender-based stereotypes intersect, female generalist entrepreneurs may be perceived as particularly misaligned with organizational expectations, thereby intensifying the penalty they face.

We use an audit field experiment to test our hypotheses. Our findings reveal that specialist former entrepreneurs do not face a hiring penalty. Compared to their generalist counterparts, specialist former entrepreneurs are significantly more likely to receive callbacks, suggesting that specialization mitigates the negative employer evaluations often associated with category spanning. Moreover, while we hypothesized that specialist entrepreneurs may enjoy advantages even over specialist employees, the difference in callback rates between the two groups is not statistically significant. This suggests that specialist entrepreneurs are evaluated on par with their conventionally employed counterparts, rather than being penalized. By contrast, generalist entrepreneurs do experience the founding penalty, receiving the lowest callback rates across all groups. This effect is particularly pronounced for female generalist entrepreneurs, who face the most unfavorable hiring outcomes in our sample.

This study makes three distinct contributions. First, we offer a skill-based explanation for the entrepreneurial penalty by highlighting how employers interpret different entrepreneurial skill profiles. Prior studies often assume that entrepreneurial skills do not fit organizational roles without further explaining why or differentiating

between types of skill sets (Küsshauer & Baum, 2023; Waddingham et al., 2024). We extend this line of work by theorizing and showing that it is the breadth of skills—not only entrepreneurial experience per se—that triggers negative evaluations. In contrast, specialist entrepreneurs who maintain domain-specific focus signal higher capability and greater role alignment, thereby avoiding the penalty. By doing so, we provide nuance to the prevailing view that employers rely exclusively on stereotypes when evaluating former entrepreneurs (Kacperczyk & Younkin, 2022; Küsshauer & Baum, 2023). We show that this reliance is not inevitable, but contingent on the interpretation of skill signals. When entrepreneurial experience is structured around a focused domain—i.e., specialist profiles—employers are more capable of assessing its relevance and value. This finding highlights the role of signal readability in shaping reemployment evaluations and extends recent work on skill signaling in uncertain labor market contexts (Gomulya & Mishina, 2017; Mahieu et al., 2021).

Our findings also challenge a common explanation in the literature that attributes the hiring penalty faced by former entrepreneurs to their presumed lack of adaptability to organizational norms (Waddingham et al., 2024). Prior research often portrays entrepreneurs as organizational misfits – individuals who are closely attached to their entrepreneurial identity to reintegrate into structured, hierarchical firms and therefore are more likely to leave (Ding et al., 2023; Feng et al., 2022). This identity-based view tends to overlook an important fact: many entrepreneurs today possess substantial pre-entrepreneurship employment experience (Burton et al., 2016). Having previously worked in hierarchical and bureaucratic environments, they are unlikely to be naïve about organizational norms and expectations they will face. In this regard, simply

attributing the commitment concern of employers to presumed identity mismatch is insufficient. We contribute to this debate by shifting the focus from who entrepreneurs *are* to *what they have done*. Our findings suggest that specialist entrepreneur are not penalized in the same way as generalist despite both of them share an entrepreneurial identity. Their focused skill trajectories signal depth and continuity, which employers interpret as indicators of long-term commitment. In this sense, the hiring penalty is not intrinsic to entrepreneurial identity per se, but contingent upon how entrepreneurial experience is structured and socially interpreted.

Second, we extend the generalist vs. specialist debate to a new and consequential context: the hiring of former entrepreneurs (Kacperczyk & Younkin, 2017; Souitaris et al., 2023). This context is particularly important because hiring managers are critical gatekeepers whose evaluations directly determine whether—and to what extent—entrepreneurial human capital can be absorbed and utilized by organizations (Chadwick & Dabu, 2009; Molloy & Barney, 2015). Prior research shows that firms may benefit from entrepreneurial experience, particularly from generalist-type skills such as adaptability, problem-solving, and strategic thinking (Braunerhjelm & Lappi, 2023; Lappi, 2024). However, if hiring managers screen out former entrepreneurs—especially those perceived as generalists—at the point of reentry, how can firms fully capitalize on the human capital they claim to value? This paradox raises broader questions about whether prior findings on the organizational impact of entrepreneurial experience may be biased due to selection effects at the hiring stage.

We also demonstrate that while the entrepreneurship literature has long emphasized the advantage of generalists – particularly during the venture creation

stage (Lazear, 2004), our study reveals generalist entrepreneurs will be penalized in traditional labor market and generalist skills should be part of the reason for this penalty. Specialist entrepreneurs, on the contrary, do not face such discount. In doing so, we reveal a stage-contingent effect of generalist human capital, while breadth may enhance entrepreneurial entry and venture success, it may simultaneous hinder reemployment outcomes. Our findings therefore uncover the interpretive mechanisms through which skill profiles are evaluated post-entrepreneurship and enriches understanding of when, how, and form whom generalist vs. specialist experience becomes an asset- or liability.

Third, our study offers important practical implications for career planning, entrepreneurship education, and hiring practices. Extant research shows that entrepreneurial experience is frequently perceived as a liability in traditional labor markets, resulting in lower callback rates and wage penalties (Mahieu et al., 2021; Bruce & Schuetze, 2004). This raises a difficult question for aspiring entrepreneurs: should one risk leaving a stable job to launch a venture, knowing that returning to paid employment may be challenging? Our findings offer a more nuanced perspective. We show that not all entrepreneurial experience is penalized equally. Entrepreneurs who cultivate specialist skill sets during their ventures are more likely to receive favorable evaluations from employers. This suggests that investing in domain-specific expertise can serve as a strategic hedge, improving reemployment prospects should individuals later transition back into traditional careers.

These insights also carry implications for entrepreneurship education and training programs. While many programs emphasize the development of generalist capabilities—aligned with the "jack-of-all-trades" perspective—our findings caution

against assuming generalism is always advantageous. In a labor market increasingly populated by former entrepreneurs, specialization may offer stronger career resilience. Educational curricula and accelerator programs may therefore benefit from striking a better balance between breadth and depth in skill development. Finally, our study encourages employers to reassess how they interpret entrepreneurial experience. Candidates with entrepreneurial backgrounds may bring uniquely refined, high-stakes problem-solving skills and adaptive capacities that are not always visible through conventional hiring metrics. Failing to recognize these qualities risks missing out on valuable human capital.

Our research has some limitations, which offers opportunities for future research. First, our study uses employer callbacks as proxy for hiring evaluations. While commonly adopted in previous audit studies (Botelho & Chang, 2023; Kacperczyk & Younkin, 2022), callbacks capture only the initial screening stage and may not fully reflect later stages such as interviews, offer decisions, or on-the-job evaluations. Future research could extend this line of inquiry by tracing full hiring trajectories or comparing interview evaluations across applicant types. For example, former entrepreneurs may excel – or struggle – at explaining their transitions, justifying failures, or narrating transferable skills during in-person interactions. How former entrepreneurs, specialist or generalist, manage these perceptions in interviews should impact hiring outcomes. Future work thus could explore how entrepreneurial narratives and impression management tactics influence employer perceptions in later stages. Moreover, callbacks typically reflect judgments from HR screeners or recruiters, not the final decision-makers. However, later stages often involve line managers or executives

whose evaluation logic may differ. For instance, a department head may value entrepreneurial initiative more than an HR generalist would. As such, future research might benefit from comparing evaluations from multiple stakeholders across the hiring process.

Second, to isolate skills acquired during entrepreneurship, we held pre-entrepreneurial work experience constant across conditions. Although this approach allows for clean comparisons, it abstracts away from the variation in career timing and sequencing (Leung, 2014). Entrepreneurs who launch ventures early in life, or who alternate repeatedly between employment and entrepreneurship, may be perceived differently than those who follow more linear paths. For example, employers may interpret different entrepreneurial entry points as signals of intentionality or instability, making career sequencing itself a source of evaluation. Additionally, the timing of entrepreneurship in one's life course may intersect with age-based stereotypes, whereby early founders may be perceived as less mature or disciplined, whereas mid-career entrepreneurs may evoke signals of leadership or strategic foresight. We encourage future research to explore these issues.

One of the potential limitations is that our findings are based on data from one national labor market. Employers' evaluation and responses may vary across countries due to institutional structures, cultural perceptions of entrepreneurship, or industry-specific norms (Hayton & Cacciotti, 2013). For instance, cultural norms regarding the value of generalist versus specialist skill sets may also shape how entrepreneurial experience is interpreted. In cultures that emphasize breadth over depth, generalist founders may face less skepticism. Therefore, additional research in other geographic

and occupational contexts would help test the generalizability of our findings and explore the boundary conditions of the entrepreneurial penalty.

In conclusion, this study offers valuable insights into the nature of the entrepreneurial penalty in traditional employment contexts. We investigate whether differences in entrepreneurial skill profiles—specialist versus generalist—influence employer evaluations during the hiring process. Our findings indicate that specialist former entrepreneurs face fewer challenges than their generalist counterparts. We argue that their specialized experience signals greater capability and organizational commitment, thereby mitigating the negative perceptions typically associated with category-spanning profiles. Even when compared to traditional employees, specialist entrepreneurs receive comparable evaluations, suggesting they do not suffer from an entrepreneurial penalty. This research has significant theoretical and practical implications.

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APPENDICES

Table 1 Summary of Job Posting Variables

Job posting variable	Description
Response	Whether recruiter respond to job applications
Salary winsor	Monthly Salary of job posting (logged)
Firm size	Number of employees (logged)
New media	Job posting's occupation (1/0)
Mention "innovation"	Posting referenced a preference for "innovation" applicants (1/0)
Mention "challenge"	Posting referenced a preference for "challenge" applicants (1/0)
Mention "independence"	Posting referenced a preference for "independence" applicants (1/0)
City innovation index	City's innovation index of 2021

City innovation index from an authoritative report from : Kou, Zonglai and Xueyue Liu，2021, FIND Report on City and Industrial Innovation in China (2021), Fudan Institute of Industrial Development, School of Economics, Fudan University.

Table 2 Descriptive Statistics

	N	Mean	SD	Median	Min	Max
Response	875	.18	0.38	0	0	1
Generalist_Ex-founder	875	.42	0.49	0	0	1
Specialist_ Ex-founde	875	.32	0.47	0	0	1
Employee	875	.26	0.44	0	0	1
Salary winsor	875	15	5.55	13.5	8	28.12
Firm size	875	5.63	2.00	5.7	2.3	9.21
New media	875	.52	0.50	1	0	1
Mention "innovation"	875	.2	0.40	0	0	1
Mention "challenge"	875	.04	0.18	0	0	1
Mention "independence"	875	.26	0.44	0	0	1
City innovation index	875	20.95	7.48	16.07	13	29.08

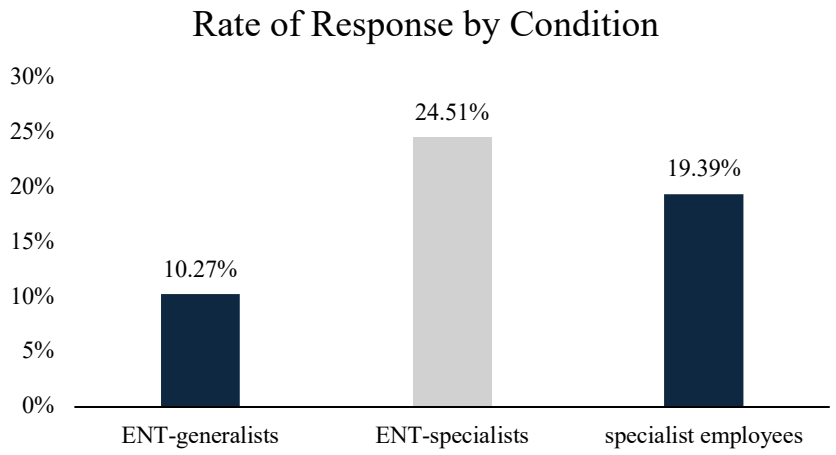

Figure1 Response rate to entrepreneurship by condition

Note. This graph includes data from 875 observations.

Table 3 Logit Models of Generalist and Specialist Entrepreneurs

	(1)	(2)	(3)	(4)	(5)
Specialist_ Ex-founder	0.899***	0.811***	0.812***	0.935***	0.527***
	(0.213)	(0.221)	(0.226)	(0.235)	(0.129)
Female		0.510**	0.494**	0.507**	0.281**
		(0.220)	(0.223)	(0.230)	(0.127)
HR_gender		-0.0261	-0.0203	0.0431	0.0143
		(0.240)	(0.240)	(0.248)	(0.136)
Salary_winsor		-0.0370	-0.0374	-0.0474*	-0.0277**
		(0.0241)	(0.0240)	(0.0253)	(0.0133)
Firm_size		-0.0870	-0.0830	-0.0815	-0.0438
		(0.0628)	(0.0630)	(0.0698)	(0.0367)
New_media		0.374*	0.351	0.294	0.155
		(0.222)	(0.224)	(0.246)	(0.134)
Mention_"innovation"			-0.0779	-0.140	-0.0793
			(0.270)	(0.288)	(0.161)
Mention_"challenge"			0.180	0.508	0.297
			(0.583)	(0.594)	(0.326)
Mention_"independence"			0.247	0.297	0.160
			(0.236)	(0.243)	(0.136)
City innovation index			0.00568	0.0412	0.0181
			(0.0140)	(0.108)	(0.0595)
Constant	-2.026***	-1.421***	-1.600***	-1.724	-0.918
	(0.162)	(0.447)	(0.550)	(1.604)	(0.894)
Industry fixed effect	NO	NO	NO	YES	YES
City fixed effect	NO	NO	NO	YES	YES
Model	Logit	Logit	Logit	Logit	Probit
Observations	651	651	651	651	651

*** p<0.01, ** p<0.05, * p<0.1 (Robust standard errors in parentheses)

Table 4 Logit Model of Specialist Entrepreneurs and Specialist Employees

	(1)	(2)	(3)	(4)	(5)
Specialist_ Ex-founder	0.282	0.315	0.335	0.321	0.181
	(0.218)	(0.231)	(0.230)	(0.236)	(0.133)
Female		0.681***	0.683***	0.651**	0.365**
		(0.240)	(0.243)	(0.261)	(0.142)
HR_gender		-0.133	-0.112	-0.0673	-0.0308
		(0.254)	(0.253)	(0.265)	(0.148)
Salary_winsor		0.0126	0.0127	0.0102	0.00653
		(0.0228)	(0.0231)	(0.0241)	(0.0132)
Firm_size		-0.0535	-0.0591	-0.0375	-0.0159
		(0.0658)	(0.0657)	(0.0689)	(0.0387)
New_media		0.651***	0.656***	0.585**	0.335**
		(0.234)	(0.240)	(0.255)	(0.142)
Mention_"innovation"			-0.0732	-0.0270	-0.0181
			(0.258)	(0.266)	(0.152)
Mention_"challenge"			-0.205	-0.220	-0.109
			(0.581)	(0.609)	(0.334)
Mention_"independence"			0.0378	0.0196	0.0194
			(0.242)	(0.249)	(0.143)
City innovation index			0.0176	-0.132	-0.0789
			(0.0149)	(0.109)	(0.0604)
Constant	-1.409***	-2.058***	-2.405***	-0.274	-0.182
	(0.168)	(0.438)	(0.527)	(1.682)	(0.942)
Industry fixed effect	NO	NO	NO	YES	YES
City fixed effect	NO	NO	NO	YES	YES
Model	Logit	Logit	Logit	Logit	Probit
Observations	506	506	506	503	503

*** p<0.01, ** p<0.05, * p<0.1 (Robust standard errors in parentheses)

Table 5 Moderating Effect of Gender

	(1)	(2)	(3)
Generalist_ Ex-founder	-0.935***	-0.263	-0.697*
	(0.235)	(0.339)	(0.358)
Generalist Female*		-1.311***	
		(0.469)	
Generalist New media*			-0.417
			(0.469)
Female	0.507**	1.105***	0.508**
	(0.230)	(0.324)	(0.230)
HR_gender	0.0431	-0.00183	0.0608
	(0.248)	(0.249)	(0.249)
Salary_winsor	-0.0474*	-0.0514*	-0.0488*
	(0.0253)	(0.0263)	(0.0253)
Firm_size	-0.0815	-0.0784	-0.0794
	(0.0698)	(0.0708)	(0.0693)
New_media	0.294	0.347	0.477
	(0.246)	(0.247)	(0.335)
Mention_"innovation"	-0.140	-0.145	-0.129
	(0.288)	(0.290)	(0.290)
Mention_"challenge"	0.508	0.664	0.481
	(0.594)	(0.612)	(0.592)
Mention_"independence"	0.297	0.291	0.301
	(0.243)	(0.246)	(0.245)
City innovation index	0.0412	0.0742	0.0320
	(0.108)	(0.108)	(0.107)
Constant	-0.790	-1.574	-0.790
	(1.651)	(1.681)	(1.646)

City fixed effect	YES	YES	YES
Industry fixed effect	YES	YES	YES
Observations	651	651	651

*** p<0.01, ** p<0.05, * p<0.1 (Robust standard errors in parentheses)

[i] Project 211 is the Chinese government's new endeavor aimed at strengthening about 100 institutions of higher education. There are 112 universities in the project 211. The experiment randomly chosen professional journalism and Chinese language college from 211 pool to qualify applicants for most available jobs.

[ii] An a priori power analysis using G*Power 3.1 indicated that at least 521 observations were needed to detect the effect of entrepreneurs' skill sets with sufficient power. Our actual sample of 875 thus exceeds this threshold, supporting the use of the experiment for causal inference.