

Trading wage jobs for dreams: the interplay between entry modes into self-employment and the duration of subsequent self-employment stints

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Abstract

Purpose – Wage employees enter self-employment either directly or in a staged manner and may subsequently undertake multiple stints at self-employment. Extant research on the relationship between entry modes and the persistence and outcomes of self-employment is inconclusive. This study investigates the relationship between wage employees' initial mode of entry into self-employment and the duration of the subsequent first two stints of self-employment.

Design/methodology/approach – This study used a matched longitudinal sample of 9,550 employees who became majority owners of incorporated firms from 2005 to 2016.

Findings – The findings demonstrate that the initial mode of entry into self-employment matters for the first two stints at self-employment. Staged entry into self-employment was associated with a shorter first stint and became insignificant for the second stint. Staged entry into self-employment was positively related to the odds of becoming self-employed for the second time in the same firm.

Originality/value – Using a comprehensive and reliable dataset, the paper shifts focus from the aggregated onward journey of novice entrepreneurs (survival as the outcome) to the duration of their self-employment stints. By doing so, the paper offers insights into the process of becoming self-employed and the patterns associated with success/failure in entrepreneurship associated with self-employment duration.

Keywords Entrepreneurship, Self-employment, Entrepreneurial commitment, Serial entrepreneurs, Learning
Paper type Research paper

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The authors are grateful to the Norwegian Tax Authority (“Skatteetaten”) for providing the data that made this research possible. The authors would also like to thank Carina Lomberg, Siri Terjesen, Lars Kolvereid, Tommy Høyvarde Clausen, Maryna Solesvik and anonymous reviewers for insightful comments on earlier drafts of this article.

Statements and declarations: The authors have no competing interests to declare that are relevant to the content of this article.

Data availability: Due to the confidentiality agreement with the datafile provider, the datasets analyzed in this study cannot be shared.



1. Introduction

Most novice business owners typically begin their entrepreneurial careers while still maintaining wage employment [1] (Folta *et al.*, 2010; Gänser-Stickler *et al.*, 2022). This occurs because moving from wage employment to self-employment involves a high level of uncertainty (Folta *et al.*, 2010; Gänser-Stickler *et al.*, 2022), lifestyle changes, irreversible commitments (Choi *et al.*, 2008), and the potential risk of social and labor market repercussions in case of failure (Mahieu *et al.*, 2022; Schulz *et al.*, 2021). However, as they progress in their entrepreneurial journey, wage employees often move toward self-employment (Isaksen and Kolvereid, 2005), dedicating resources and building resilience against barriers to self-employment (Raffiee and Feng, 2014). This move is crucial as ventures tend to thrive more when their owners become self-employed (Kritskaya *et al.*, 2017).

There are different pathways individuals take to enter self-employment from wage employment, primarily differing in the timing of entry into self-employment. Some individuals transition directly by leaving wage employment when starting their venture (referred to as *direct entry into self-employment*), while others, the majority, enter self-employment years after establishing the venture (referred to as *staged entry into self-employment*) (Raffiee and Feng, 2014). Staged entry involves two steps: initially becoming business owners alongside their wage employment, known as hybrid entrepreneurship (Folta *et al.*, 2010; Demir *et al.*, 2020; Mmbaga *et al.*, 2023). This stage allows wage employees to delay full entry into self-employment, evaluating the costs and benefits of different career options (Kritskaya and Kolvereid, 2021). Subsequently, when the venture shows promise in providing financial security and maximizing benefits (Folta *et al.*, 2010; Petrova, 2010; Raffiee and Feng, 2014), wage employees transition into self-employed individuals.

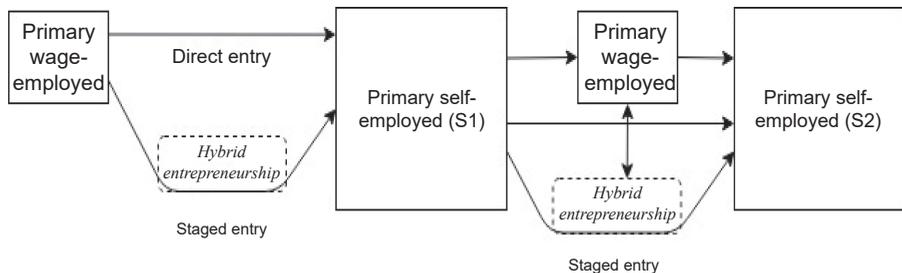
A crucial question that arises from the idea of staged entry is whether delaying entry into self-employment until there is concrete evidence of the venture's viability suggests lower motivation to be self-employed and potentially hinders an entrepreneur's persistence in achieving the target of self-employment. Existing research on entry modes into self-employment has not definitively addressed this question. Current focus has primarily been on the overall survival rate of self-employed individuals, resulting in conflicting findings. For example, Raffiee and Feng (2014) found a positive correlation between staged entry and self-employment survival, while Kritskaya and Kolvereid (2021) reported a negative association between staged entry and the duration of subsequent self-employment.

The inconclusiveness of these findings highlights two significant gaps in our understanding. First, there is a need for insight into which entry mode contributes to novice entrepreneurs' persistence in pursuing a self-employed career. This knowledge is crucial as most novice entrepreneurs do not return to self-employment after leaving it (Kolvereid and Bullvåg, 1993; Westhead and Wright, 1998). Understanding the entry mode that fosters persistence will aid in refining policies and promoting success among novice entrepreneurs. Second, it is essential to comprehend what happens when entrepreneurs who initially adopt staged entry eventually exit the realm of self-employment. Entrepreneurship is an ongoing process and assessing alternative entry modes should consider how novice entrepreneurs' behaviors and decision-making evolve over multiple stints at self-employment. This consideration is vital as the behavior and decision-making of novice entrepreneurs may change with each stint at self-employment (Tipu, 2020; Toft-Kehler *et al.*, 2014).

The primary aim of this study is to explore the relationship between the initial mode taken to enter self-employment and the duration of the first two stints of self-employment, labeled D1 for the initial stint (S1) and D2 for the subsequent one (S2). To accomplish this, a robust longitudinal and matched dataset is employed for hypotheses testing. The investigation starts by identifying 9550 individuals who lacked prior business ownership or entrepreneurship experience but later

Figure 1.
Process of wage
employees' first two
stints at self-
employment

became majority owners of incorporated firms between 2005 and 2016. The study then tracks their initial two self-employment stints (see Figure 1).



Source(s): Author's own creation

Drawing upon commitment theory (Klein *et al.*, 2012), this study posits that an entrepreneur's duration in self-employment is influenced by the nature of their attachment (Klein *et al.*, 2012; Meyer and Herscovitch, 2001) to self-employment formed during the initial entry. Direct entry into self-employment necessitates a full commitment of resources from the venture's outset, fostering a commitment bond associated with positive attitudes and sustained efforts toward self-employment (Klein *et al.*, 2012). In contrast, staged entry allows wage employees to delay entry until they gather factual evidence on venture viability and compare its benefits with other career options (Raffiee and Feng, 2014), fostering an instrumental bond (Klein *et al.*, 2012) that stimulates a parallel and comparative search for high-benefit opportunities (Meyer and Herscovitch, 2001) but hinders persistence in achieving self-employment (Klyver *et al.*, 2020).

Consequently, entrepreneurs opting for staged entry are more likely to prematurely exit self-employment if their business underperforms or if they encounter better labor market opportunities. This theoretical framework enhances our understanding of entrepreneurial behavior based on the initial choice of entry mode into self-employment and is the first framework to elucidate the relationship between these entry modes and their outcomes.

The study's findings reveal a strong negative association between staged entry into self-employment and D1, although this negative association diminishes during S2. The focus on multiple self-employment stints allows this study to examine habitual entrepreneurs' recommitment of resources (Bowen, 1987) and learning from failure (Tipu, 2020). Failure is defined here as either a reduced ownership share or when the business ceases to be the primary employer. The study's findings suggest that those who initially stage-entered self-employment might enhance their performance during subsequent stints. However, it is crucial to note that serial self-employed performance varies depending on the type of serial self-employment. Previous studies have defined the serial self-employed as former entrepreneurs who return to entrepreneurship in a different firm (Nielsen and Sarasvathy, 2016). This conceptualization excludes serial self-employed individuals who re-enter self-employment in the same business they had during S1. Our study, however, enriches the comprehension of serial self-employment strategies by expanding the typology of pathways and offering evidence of their outcomes. In essence, this study shifts the focus from a solely outcome-driven perspective to a more process-based understanding of becoming self-employed, shedding light on the patterns of success and failure in novice entrepreneurs' behavior and outcomes related to entry modes into self-employment.

The structure of this study is as follows: a literature review on staged entry into self-employment and the theoretical foundations for the hypotheses, followed by an overview of the study's data, variables, and empirical methods. The subsequent section presents the results and discusses their implications.

2. Theoretical insights

2.1 Review of the literature on staged entry into self-employment

Previous studies on staged entry into self-employment have primarily aimed to establish a foundational understanding of this phenomenon (e.g., [Folta et al., 2010](#); [Block and Landgraf, 2016](#); [Ferreira, 2020](#); [Schulz et al., 2021](#); [Viljamaa and Varamäki, 2014](#); [Viljamaa et al., 2017](#)). Research suggests that individuals adopting staged entry are typically not financially constrained ([Folta et al., 2010](#); [Petrova, 2010](#)) but tend to be risk-averse with high opportunity costs ([Folta et al., 2010](#)). Staged entry allows them to validate their business ideas and entrepreneurial capabilities before committing full-time to self-employment ([Raffiee and Feng, 2014](#)). They often make the decision to transition from wage employment to full self-employment relatively swiftly within the initial years of business ownership ([Folta et al., 2010](#)). Factors such as self-realization and self-fulfillment are key motivations for this shift ([Block and Landgraf, 2016](#); [Viljamaa and Varamäki, 2014](#); [Viljamaa et al., 2017](#)). The pivotal moment usually occurs when positive evidence about business performance indicates that self-employment maximizes benefits ([Folta et al., 2010](#); [Petrova, 2010](#); [Solesvik, 2017](#)).

The duration of entrepreneurs' self-employment tenure is widely regarded as a measure of their success ([McGrath, 1999](#)). Consequently, studies exploring entry modes focus on the duration of entrepreneurs' self-employment. However, the evidence regarding the relationship between entry mode and self-employment duration remains inconsistent. For instance, [Kritskaya and Kolvereid \(2021\)](#) studied the survival of 8554 self-employed majority business owners and found a negative association between staged entry and subsequent self-employment duration.

Conversely, [Raffiee and Feng \(2014\)](#), examining 2198 self-employment stints, discovered that adopting a staged entry mode is linked to a reduced likelihood of exiting self-employment, with a 33.3% decrease in exit probability for those who choose this path. However, this positive effect is stronger for individuals with entrepreneurial experience and lower cognitive ability and less statistically significant for self-employed individuals with employees or in incorporated firms only ([Raffiee and Feng, 2014](#)). The differences in research design, sample structures, and definitions might explain the contradictory findings between these studies ([Kritskaya and Kolvereid, 2021](#)).

There is a dearth of knowledge concerning how entry modes into self-employment relate to the continuation of an entrepreneurial career after exiting self-employment. In cases of self-employment exit and a return to wage employment, individuals who initially opted for staged entry into self-employment are more likely to continue or re-enter a hybrid stage of primary wage employment with side business ownership ([Kritskaya and Kolvereid, 2021](#); [Mahieu et al., 2022](#)). Their post-self-employment entrepreneurial engagements hinge on their background, entrepreneurial mindset, and motivations for wage versus self-employment ([Walsh and Stephens, 2022](#)).

2.2 Initial mode of entry and D1

Considering the established positive and direct effects of commitment on an individual's persistence toward the target ([Meyer and Allen, 1984](#); [Meyer and Herscovitch, 2001](#); [Tang, 2008](#)), this study adopts the perspective of commitment theory ([Klein et al., 2012](#)). Previous research has often used the commitment construct as a broad measure of individuals' dedication to their targets ([Klein et al., 2012](#)). [Klein et al. \(2012\)](#) propose that various attachment bonds emerge from diverse circumstances and perceptions of a target, necessitating a distinction between commitment bonds and other bonds like identification (self-definition in relation to the bond), acquiescence (bond necessity due to perceived lack of alternatives), and instrumental bonds (calculated bond based on weighing costs and benefits). Unlike other bonds, commitment is described as "a volitional psychological bond reflecting

dedication to and responsibility for a particular target” (Klein *et al.*, 2012, p. 137). It does not demand complete assimilation with the target and cannot be formed based on calculated benefits or necessity. Klein *et al.* (2012) identify four primary perceptual antecedents influencing commitment bond formation: positive affect (favorable evaluation of the target), target salience (closeness of the target), trust (embracing vulnerability based on positive expectations), and perceived control (confidence in managing the situation and achieving desired outcomes). These factors are relevant only if they positively impact the significance of action and voluntary responsibility for the action and its consequences (Bowen, 1987).

Different entry modes into self-employment represent a vocational career choice (Katz, 1992) involving varying degrees of resource allocation toward achieving the self-employment target, assuming responsibility for actions and consequences, and competing with other available career options. Consequently, these entry modes should be linked to distinct attachment bonds to a self-employed career, leading to different outcomes.

Wage employees entering self-employment directly make their entry decision without extensive analysis of actual business performance. They leave their wage employment and commit all their resources to the self-employment target (Jenkins *et al.*, 2014), forming a commitment bond to their self-employed career. This bond influences individuals’ behaviors (Verheul *et al.*, 2012) and their persistence in pursuing self-employment, even amidst conflicting motives and attitudes (Klein *et al.*, 2012; McGrath, 1999). Direct entrants tend to be risk-takers (Raffiee and Feng, 2014), prioritizing the autonomy, challenge, and status associated with self-employment over their business’s financial performance. Consequently, they are willing to make significant sacrifices to sustain their self-employment (Jenkins *et al.*, 2014; Ucbasaran *et al.*, 2010), which might appear contrary to their interests (McGrath, 1999). Based on this reasoning, this study anticipates persistence in self-employment among individuals initially entering directly.

In contrast, entrepreneurs using staged entry into self-employment are risk-averse individuals reluctant to abandon their organizational careers (Folta *et al.*, 2010). They prefer limited time and cost commitments, combining primary wage employment with business ownership to test ideas and develop entrepreneurial abilities (Petrova, 2010). Due to a resource scarcity, their organizational and self-employment careers vie for attention and time (Campion *et al.*, 2020; Urbig *et al.*, 2021), hindering the formation of a commitment bond and its consequent outcomes (Klein *et al.*, 2012). Competing job engagements, along with low trust and self-efficacy in their self-employment career (Raffiee and Feng, 2014), limit their commitment to the self-employment target (Klein *et al.*, 2012).

Wage employees adopting staged entry into self-employment select their career path by maximizing benefits (Folta *et al.*, 2010; Petrova, 2010). Consequently, significant changes in revenue might influence their decision to enter self-employment (Cestino, 2019). Commitment, however, is not formed by simply weighing costs and benefits (Klein *et al.*, 2012). When individuals evaluate costs or losses related to their target, they establish a calculated bond to the target, termed an *instrumental bond* (Klein *et al.*, 2012). Hence, this study associates staged entry with an initial instrumental bond to a self-employed career.

Instrumental bonds encourage individuals to pursue a course of action while simultaneously exploring new employment opportunities offering higher benefits (Klein *et al.*, 2012; Meyer and Herscovitch, 2001). Wage employees engaging in staged entry into self-employment, possessing high human capital (Dvouletý and Bögenhold, 2022; Folta *et al.*, 2010) and wage employment experience (Petrova, 2010; Raffiee and Feng, 2014), tend to overestimate losses, scrutinize their business performance, and favor secure alternatives (Folta *et al.*, 2010). This group is likely to conduct a simultaneous search for job opportunities that discourage entrepreneurial behavior (Klyver *et al.*, 2020). Considering commitment theory, wage employees who opt for staged entry might terminate even economically viable businesses upon encountering other profitable opportunities or if the venture underperforms.

H1. Entrepreneurs utilizing staged entry into self-employment will have a shorter D1 compared to entrepreneurs entering self-employment directly.

2.3 Initial mode of entry and D2

Exiting self-employment does not necessarily mark the end of an entrepreneurial career. Instead, it may lead to serial self-employment (Tipu, 2020), occurring immediately after exit or following a period in wage employment. Serial self-employment signifies a series of endeavors to achieve self-employment despite a prior exit.

The initial attachment bond to a self-employed career can influence entrepreneurs' post-exit behavior. Those committed to self-employment are typically hesitant to devise exit strategies (DeTienne, 2010), increasing the likelihood of involuntary exit and resource loss (DeTienne, 2010). This may lead to restarting as serial self-employed individuals in different firms upon re-entry to self-employment.

Former wage employees who opt for staged entry into self-employment often exit early if they encounter a more enticing employment opportunity, providing them with a financial cushion upon transitioning to new employment (Campion *et al.*, 2020). Additionally, their experience in part-time business ownership positions them advantageously. These combined benefits enable them to retain their business while simultaneously engaging in wage employment post self-employment exit (Walsh and Stephens, 2022). This choice amplifies the present value of their benefits (Amit *et al.*, 1995) and grants them access to resources from the business and potential investors (Tipu, 2020). Therefore, the authors propose:

H2. In case of re-entry into self-employment, entrepreneurs initially adopting staged entry are more likely to resume self-employment in the same firm compared to those initially entering self-employment directly.

Entrepreneurs' ability to enhance their performance during stints depends on their attachment bonds, cognitive limitations (Wang and Chugh, 2014), and the rationality of their behavior (Sapienza and Grimm, 1997).

As wage employees' perceptions of self-employment, entrepreneurial attitudes (Koellinger *et al.*, 2015; Urbig *et al.*, 2021), and various personal and external factors evolve over time, the type of attachment bond to the self-employment target and its intensity might shift across different self-employment stints (Klein *et al.*, 2012). Since research suggests that "previous experience as a paid employee has a negative impact on the entrepreneur's motivation to take further entrepreneurial risks" after exiting self-employment (Carbonara *et al.*, 2020, p. 138), re-entry into serial self-employment should be associated with a preference for a self-employed career (Carbonara *et al.*, 2020).

Cognition and decision-making play pivotal roles in entrepreneurship, especially concerning intentional and behavioral aspects of entering, exiting, and re-entering self-employment. Rational behavior hinges on having conclusive feedback about the outcomes of actions, such as self-employment stints. This necessitates credible standards for comparison and sufficient feedback to forecast future behavior in line with set standards (Bowen, 1987). The interpretation of outcomes from past self-employment endeavors among former self-employed individuals is influenced by the attribution of factors leading to their exit (Nielsen and Sarasvathy, 2016). Even in apparent failure instances, such as bankruptcy, attributions of failure (Nielsen and Sarasvathy, 2016) vary, with some individuals blaming their entrepreneurial abilities and others attributing failure to external factors (Tipu, 2020). Consequently, individuals' decision to re-entry into self-employment is subjective, relying on uncertain environmental factors, lacking universally accepted standards for feedback, and influenced by personal preferences, expectations, cognitive limitations, and perceptions of alternative career choices (Nielsen and Sarasvathy, 2016). According to Bowen (1987),

reinvesting resources into becoming serially self-employed under uncertainty signifies commitment to the self-employment target. This commitment aligns with economic rationality and fulfills the requirements of a commitment bond for dedication and responsibility toward the action and its outcomes (Bowen, 1987; Klein *et al.*, 2012).

H3. The association between initial staged entry into self-employment is more substantial for D1 than for D2.

3. Methodology

3.1 Sampling and data

To address the research question, the authors acquired a dataset from the Norwegian Tax Authority, selecting wage employees meeting specific criteria: (1) aged between 25 and 50 years old, a range identified as having the highest propensity for entrepreneurship according to previous studies (Folta *et al.*, 2010; Kritskaya and Kolvereid, 2021; Kolvereid, 2018); (2) earning at least NOK 196,000 to ensure active workforce membership in 2004, a criterion that corresponds to the minimum full-time annual salary defined by one of the main labor unions in the country (Fagforbundet, 2004); and (3) devoid of any business ownership experience or corporate roles in 2004. The final sample comprised of 686,088 wage employees adhering to all selection criteria, providing a detailed record of their main employers from 2004 to 2016. Refer to Electronic [Supplementary Material 2 - Selection criteria and sampling procedure](#) - for further details on the selection process and sampling specifics.

In alignment with the framework of this study, the authors specifically incorporated data concerning individuals who assumed roles as business owners. These individuals held a majority ownership stake (i.e., at least 51%) in incorporated firms [2] between 2005 and 2016. Employing the criterion of majority business ownership facilitated linking individual career paths with individual's decisions concerning the allocation of limited resources (Westhead and Wright, 1998). These decisions encompassed the mode of entry into self-employment, initial attachment bonds to a self-employed career, exits from and reentries into self-employment. Self-employed individuals were characterized as majority owners of an incorporated firm that served as their primary employer in a given year. In Norway, the withholding tax rate for earnings from the primary employer is lower than that from other employers. This incentivizes individuals to declare their main employer to the tax authority. While this approach did not preclude the possibility of individuals changing their main occupation for tax purposes, such a change was not deemed problematic in this study. It rather indicated that the business provided a higher income compared to salaried employment. Multiple researchers have used the criterion of higher income to identify the entry mode into self-employment (Petrova, 2010; Raffiee and Feng *et al.*, 2014). Among the 686,088 employees in the dataset, 29,752 (4.3%) transitioned into majority business ownership, and 12,271 (1.8%) became self-employed from 2005 to 2016. These businesses were all situated in Norway, aligning with numerous studies focusing on Western developed economies (Veksler and Thorgren, 2023, p. 3).

The population was categorized into entrepreneurs employing direct versus staged entry into self-employment. Those who directly entered self-employment assumed majority ownership of an incorporated firm in the same year the firm was registered as their primary employer. Conversely, entrepreneurs who staged their entry into self-employment became majority owners of an incorporated firm at least one year before the firm was recorded as their primary employer. Identification of the main employer in a specific year allowed the authors to avoid relying on the hours entrepreneurs spent working for the business or the income earned from their own business and other sources. This was due to the incomparability of such data across various industries and employment occupations. The criterion of the main

employer also adhered to the conceptualization of staged entry in prior research, which focused on an individual's primary wage employment rather than the generation of higher income (e.g., [Folta et al., 2010](#); [Gänsler-Stickler et al., 2022](#); [Kritskaya and Kolvereid, 2021](#); [Walsh and Stephens, 2022](#)). The advantage of identifying the main employer in a particular year using tax authority data lies in its straightforwardness compared to data gathered from self-reported schemes. Furthermore, the differentiation between part-time and full-time wage employment was not considered, as per [Folta et al. \(2010\)](#), who indicated that entrepreneurs staging their entry into self-employment did not necessarily need full-time employment during the hybridization stage. Their primary requirement was a primary wage employment alongside a secondary self-employment role ([Folta et al., 2010](#), p. 253).

This study, relying on longitudinal observational data from wage-employed non-entrepreneurs in 2004 who had already determined their entry mode into self-employment, faced a threat to internal validity due to self-selection ([Rosenbaum and Rubin, 1983](#)). To counter this, the authors utilized propensity score matching (PSM) to eliminate differences based on observed characteristics influencing the choice of self-employment entry mode. For details on the matching procedure, refer to Electronic [Supplementary Material 3 - Matching Procedure](#). PSM, a quasi-experimental technique, ensures an equal probability of assignment to treatment (staged entry) or control group (direct entry) based on theoretically relevant covariates ([Rosenbaum and Rubin, 1983](#)). Compared to alternative techniques such as stratification, regression adjustment, analysis of covariance, and structural equation modeling, PSM has shown superior ability to mitigate self-selection bias ([Hinkle et al., 2003](#)). The final matched sample comprised 9550 employees who became majority owners of incorporated firms between 2005 and 2016, with 4775 (50%) using the staged entry mode into self-employment.

3.2 Dependent variables

3.2.1 The entrepreneur's first stint at self-employment (S1). The unit of analysis was an individual's self-employment stint, representing one self-employment event, as per dynamic studies on serial self-employment ([Parker, 2013](#); [Taylor, 1999](#); [Volery and Mattes, 2022](#)). For H1, the dependent variable was D1, measured as the continuous sequential number of years as the majority owner of an incorporated firm, the individual's main employer until exiting from S1. D1 ranges from 1 to 12 and follows a normal distribution.

Exiting S1 for self-employed individuals occurs when they reduce their majority ownership of the incorporated firm or when their business is no longer registered as their primary labor occupation. This happens when self-employed individuals reduce their ownership share, close or sell the original corporate firm, or switch to primary wage employment, unemployment, retirement, or majority business ownership of another firm, becoming their primary employer ([Parker, 2013](#)). Despite lacking specific exit reasons in the data, this study focused on D1, regardless of exit motives ([Parker, 2013](#)). Among 9550 self-employed individuals, 8757 entered self-employment only once, with 45% concluding their S1 by 2016.

3.2.2 Entrepreneur's second stint at self-employment (S2). This study treats entrepreneurial re-entry as a recommitment of resources through a series of actions to achieve the self-employment target post an earlier exit from self-employment. Building on [Parker \(2013\)](#) and [Ucbasaran et al. \(2010\)](#), a sequence of self-employment actions constitutes serial self-employment within serial entrepreneurship. Here, *serially self-employed* individuals exit S1 and re-enter self-employment, either immediately or after a period of wage employment, as majority owners of an incorporated business, their main employer during S2. In total, 793 individuals became serial self-employed in this study. In line with prior research ([Kolvereid and Bullvåg, 1993](#); [Westhead and Wright, 1998](#)), the number of serial self-employed individuals was notably lower (less than 10%) than those entering self-employment only once.

The dependent variable for H2 was the type of serial self-employment. Most previous studies on serial entrepreneurs employed cross-sectional samples of current businesses owned by serially self-employed individuals. These studies presumed that all serially self-employed individuals changed firms with their stints (Parker, 2013). Leveraging longitudinal tax authority data, we identified firms' organizational numbers during S1 and the initial year of S2 to ascertain whether serially self-employed individuals returned to the same firm or pursued a new one. Those *serially self-employed in the same firm* re-entered self-employment in an incorporated firm with the same organizational number as the one they owned during S1, having re-entered self-employment year(s) after their initial exit. Those *serially self-employed in different firms* became majority owners of an incorporated firm with an organizational number distinct from their previous S1 firm. To ensure a fair division, we manually examined the serial self-employment history of each individual. In summary, all serially self-employed individuals were grouped based on their S2 firm's organizational number. A total of 519 became serially employed in the same firm, while 274 became serially employed in different firms, including 78 continuously self-employed individuals. Nearly 50% ($n = 393$) of individuals who became serially self-employed staged their initial entry into self-employment.

The dependent variable for H3 is D2, measured as the continuous sequential number of years in S2 as a majority owner of an incorporated firm, the individual's main employer. This variable ranges from 1 to 11. The authors transformed the raw data using a logarithm with a base of 10 to approximate a normal distribution. Self-employed individuals' *exit from S2* occurred when they reduced their majority ownership of the incorporated firm or when their business was no longer their primary labor occupation. In 2016, 36% of serially self-employed individuals were no longer self-employed.

3.3 Analytical methods

Table 1 displays the means, standard deviations, and correlations. The correlation matrix preliminarily supported the hypotheses, indicating correlations between independent and dependent variables. None of the correlations among the independent variables reached critical levels, and the matrix did not detect issues of multicollinearity.

	Means	SD	1	2	3	4	5	6	7	8
<i>S1 (n = 9,550)</i>										
1. Year of entry into S1	10.9	3.3	1							
2. Profitable business S1	0.7	-	-0.02 ^a	1						
3. D1	3.9	2.9	-0.55	0.27	1					
4. <i>Staged entry into S1ⁱ</i>	0.5	-	0.15	-0.08	-0.13	1				
<i>S2 (n = 793)</i>										
5. Year of entry into S2	13.0	2.4				0.05 ^b	1			
6. Profitable business S2	0.6	-				-0.03	-0.01	1		
7. Log. D2	0.30	0.3				-0.02	-0.48	0.18	1	
8. Serial in the same firm	0.65	-				0.1	-0.06	0.07	0.01	1

Note(s): ^aIn S1, correlation coefficients ≥ 0.02 are significant at $p \leq 0.05$, and correlation coefficients ≥ 0.08 are significant at $p \leq 0.001$

^bIn S2, coefficients ≥ 0.1 are significant at $p \leq 0.01$, coefficients ≥ 0.18 are significant at $p \leq 0.001$, and coefficients ≥ 0.06 are significant at $p \leq 0.1$

ⁱThe independent variable of the staged entry into S1 is shown in italics and is included in the S1 and S2 correlation matrices

Source(s): Author's own creation

Table 1.
Descriptive statistics
and correlations
among the analysis
variables

In regression analyses, the authors conducted tests to ensure the study did not violate any assumptions. For H1, the entire sample ($n = 9550$) was used, while H2 and H3 analyses utilized a sample of serially self-employed individuals ($n = 793$). The regression tests for linearity, additivity, normality, homoscedasticity of variance, and independence showed no breaches, and multicollinearity problems were not detected. Computed variance inflation factors did not exceed 1.028, well below the maximum acceptable level (Field, 2018).

4. Findings

4.1 Initial mode of entry and D1

Entrepreneurs who enter self-employment early might experience longer self-employment durations compared to those who become self-employed later. According to the theoretical framework, entrepreneurs employing staged entry into self-employment base their exit decisions on the quality of the current business, specifically their satisfaction with business performance. To test H1, the study integrated variables for the first year of entry into S1 and for profitable business during S1 as control variables. The year of entry into S1 was measured as the year when the business became the entrepreneur’s primary employer. A profitable business during S1 was measured as a dichotomous variable: coded as one if the inflation-adjusted sum of earnings during the S1 years of self-employment was above zero and as zero if equal to or less than zero. Table 2 illustrates that H1 was supported, showing an association between staged entry into self-employment and D1 ($p \leq 0.001$). Furthermore, having a profitable business is positively linked to D1 ($p \leq 0.001$).

Dependent variable: D1

Year of entry into S1	-0.544***(-66.564)
Profitable business S1	0.259***(31.916)
Staged entry into S1	-0.030***(-3.715)
Maximum VIF [minimum tolerance]	1.028 [0.973]
Durbin Watson	1.948
Adj. R-square	0.376
F Change	1920.666***

Note(s): *** indicates $p \leq 0.001$. The coefficients reported are standardized betas and t-values are reported in parentheses
($n = 9,550$)

Source(s): Author’s own creation

Table 2.
Hypothesis 1 testing:
Regression analysis

4.2 Initial mode of entry and D2

Among entrepreneurs who entered self-employment via staged entry, 117 became serially self-employed in different firms, while 276 restarted the same firm. H2 suggests that individuals who initially enter self-employment through staged entry are likely to become serially self-employed in the same firm. A chi-square test backed this hypothesis ($p \leq 0.005$) (refer to Table 3).

Serial in the same firm	Entry mode		Total
	Direct	Staged	
No	157 (138.2) ^{Exp}	117 (135.8)	274 (274.0)
Yes	243 (261.8)	276 (257.2)	519 (519.0)
Total	400 (400.0)	393 (393.0)	793 (793.0)
Chi-square			7.877
Sig. (2-sided)			0.005

Note(s): ^{Exp} Expected values are shown in parentheses

Source(s): Author’s own creation

Table 3.
Hypothesis 2 testing:
Chi-square test. Entry
mode and type of serial
self-employment

H3 postulates a weaker relationship between staged entry and S2. Following H1, the authors included controls for the year of entry into S2 and for profitable business during S2. Considering how the initial entry mode impacts the likelihood of entering different types of serial self-employment, a control was added for the type of serial self-employment, represented as a dummy variable. H3 was supported, indicating an insignificant relationship between staged entry into self-employment and D2 ($t = 0.371$). The only significant variable associated with D2 (aside from the year of entry into S2) was the dummy variable for profitable business during S2 (see Table 4).

	Dependent variable: Log D2
Year of entry into S2	-0.477*** (-15.477)
Profitable business S2	0.174*** (5.651)
Serial in the same firm	-0.032 (-1.037)
Staged entry into S1	0.011 (0.371)
Maximum VIF [Minimum Tolerance]	1.020 [0.980]
Durbin Watson	1.961
Adj. R-squared	0.254
F Change	68.242***
<p>Note(s): *** indicates $p \leq 0.001$. The coefficients reported are standardized betas and t-values are reported in parentheses ($n = 793$)</p> <p>Source(s): Author's own creation</p>	

Table 4.
Hypothesis 3 testing:
regression analysis

4.3 Robustness tests

Initially, the authors redefined the dependent variables for H1 and H3 to examine which entry modes are linked to survival for over three years. Self-employed individuals who entered self-employment only once and were still self-employed in 2016 were excluded to manage right censoring. H1 was still supported: individuals who initially entered directly into self-employment were more likely to survive for longer than three years during their S1 (chi-square = 26.01, $p \leq 0.001$). Subsequently, the authors excluded the serially self-employed in 2016, finding an insignificant association between the initial entry mode into self-employment and survival during S2 (chi-square = 1.41, $p \leq 0.235$) [3].

Second, two analyses were conducted to gain a better understanding of S2 for different types of serially self-employed individuals for a robustness check. The first analysis tested H3 on a sample of people serially self-employed in the same firm ($n = 519$). The study found that the initial entry mode into self-employment had a negative but insignificant association with D2. The hypothesis on a sample of serially self-employed individuals in different firms ($n = 274$) was tested in the other analysis. The study found a positive but insignificant association between the initial entry mode and D2.

Third, based on the definition of serially self-employed individuals, 78 out of the 274 serially self-employed in different firms exhibited continuous self-employment (i.e., entering S2 immediately after exiting S1 while changing firms). Continuous serial self-employment involves self-employment in different firms, whereas discontinuous self-employment permits re-entry into self-employment in the same firm. Therefore, continuous serial self-employment was excluded from the test of H2. The hypothesis was still supported (chi-square = 9.431; $p \leq 0.002$).

Fourthly, the authors checked the interactions, none of which drastically changed the results. Upon replacing the initial staged entry with the interaction of staged entry and a profitable business, the authors found that entrepreneurs who staged-enter self-employment and reported having a profitable business experienced shorter D1 ($p \leq 0.001$).

Fifthly, the authors explored whether identifying staged entry annually might lead to misleading results. Previous research defines staged entry into self-employment if an entrepreneur was primarily wage-employed for at least two years before becoming self-employed (Folta *et al.*, 2010). A new matched sample of individuals who used the direct mode of entry versus “true staged entry,” which refers to primary waged employees who owned a business at least two years before their first entry into self-employment, was extracted. This procedure resulted in 3296 matched individuals (287 serially self-employed people). All hypotheses were supported. Additionally, re-entry into self-employment in the same firm was negatively associated with D2 ($p \leq 0.05$).

Subsequently, the authors conducted additional robustness tests on the new sample. Multivariate regression analyses were performed on the sample of self-employed individuals who exited from self-employment before 2016. Staged entry was negatively associated with D1 (H1, $p \leq 0.001$). The authors excluded all serially self-employed individuals who were self-employed in 2016. The effect of the initial staged entry on D2 was still insignificant (H3, $t = -0.109$). After that, the authors redefined the dependent variables for H1 and H3 to test which entry mode was associated with the likelihood of survival over three years, finding support for the hypotheses (H1: chi-square = 49.13, $p \leq 0.001$; H3: chi-square = 0.223, $p \leq 0.637$). Finally, re-entry into self-employment in the same firm was negatively associated with D2 ($p \leq 0.008$).

5. Discussion

Utilizing a comprehensive and reliable dataset, this study delved deeply into a crucial yet novel phenomenon: staged entry into self-employment and its consequences for the behaviors of novice entrepreneurs across their first two self-employment stints. The findings of the current study expand upon initial discoveries from Raffiee and Feng (2014) regarding the positive association of staged entry with entrepreneurs’ survival as self-employed by revealing that this influence may not be universally valid. This study’s results indicate that the impact of initial staged entry into self-employment may turn positive over self-employment stints and is contingent on the type of re-entry into self-employment.

5.1 Initial mode of entry and D1

This study reveals that staged entry is negatively associated with D1. This finding contradicts prior studies that suggest staged entry leading to superior performance among entrepreneurs as self-employed individuals compared to direct entry (Demir *et al.*, 2020; Folta *et al.*, 2010; Marshall *et al.*, 2019; Petrova, 2010, 2012).

From a theoretical perspective, this result supports the fundamental predictions of commitment theory, indicating that different types of attachment bonds lead to varying behavioral implications. This study suggests that novice entrepreneurs’ mode of entry into self-employment might be influenced by distinct initial attachment bonds to the self-employment target, resulting in contrasting outcomes. The delay in entering self-employment to acquire information about venture viability points to entrepreneurs’ calculative behavior and an initially low trust in the self-employment target. These characteristics align with the instrumental attachment bond, which deters entrepreneurial behavior by encouraging a simultaneous exploration of alternative opportunities that maximize benefits (Klyver *et al.*, 2020; Meyer and Herscovitch, 2001). Consequently,

entrepreneurs who stage-enter self-employment are less likely to persist in S1 and might exit early to pursue better jobs, seek education, sell the business for substantial value (DeTienne, 2010), or re-enter S2 as serially self-employed individuals in a higher-quality business or when their business achieves a superior level of quality (Plehn-Dujowich, 2010).

Accounting for business owners' initial entry modes into self-employment holds significant implications for entrepreneurship research and practice. Different antecedents may trigger the formation of the dominant bond type, resulting in distinct behaviors and outcomes. For instance, highly educated self-employed individuals driven by calculative forces lack a strong commitment to the target (DeTienne, 2010). In the presence of more attractive opportunities, despite their business's good performance and other benefits generated during staged entry (such as entrepreneurship experience and venture adjustment to market demand), they might exit from self-employment. Accordingly, the study found that entrepreneurs who staged-entered self-employment and reported having a profitable business experienced shorter D1.

5.2 Initial mode of entry and D2

Regarding the examination of S2, this study contributes to previous research on entrepreneurial re-entry. It suggests that the initial mode of entry influences an individual's decisions regarding self-employment restarts. The study reveals that entrepreneurs who initially staged-entered self-employment are more likely to retain their venture and re-enter as serially self-employed into the same business they had before exiting the previous stint at self-employment. This implies that risk-seeking wage employees committed to their venture might delay their entry into self-employment to test venture viability and develop exit strategies, reducing the likelihood of irrational decision-making and preserving resources in case of failure.

This study also contributes to an examination of habitual entrepreneurs' recommitment of resources (Bowen, 1987). It extends previous research in organizational psychology, indicating that some individuals maintain commitment attachment to the organization they have left, impacting their subsequent behavior (Breitsohl and Ruhle, 2016). This study applies this logic to habitual entrepreneurship, suggesting that entrepreneurs might develop a commitment to the self-employment target during their self-employment experience and retain this commitment even after exiting self-employment. While the initial staged entry into self-employment showed a negative significant association with D1, it became insignificant with D2. Therefore, the study expects that serially self-employed individuals who initially staged-enter self-employment and had multiple self-employment stints might increase the duration of their self-employment across stints. Through learning after failure, being alert to opportunities, and having multiple chances to gain experience, overcome learning barriers, and build an entrepreneurial experience curve (Tipu, 2020; Toft-Kehler *et al.*, 2014).

Regarding performance after re-entry into self-employment, different types of serial self-employment yield distinct outcomes. Serial self-employment within the same firm is negatively associated with the D2. Re-entering the same firm might correlate with over-commitment, potentially leading to less rational decision-making (McGrath, 1999). In contrast, serial self-employment in different firms is positively linked to the D2. This aligns with the notion that entrepreneurs often cannot glean learning from experiences similar to the previous one (Parker, 2013). Overall, insights into the outcomes of different types of serial self-employment enhance our comprehension of this phenomenon and reconcile prior conflicting findings about the performance of serially self-employed individuals (Eggers and Song, 2015; Parker, 2013; Toft-Kehler *et al.*, 2014). Therefore, empirical studies on habitual entrepreneurship should consider the type of serial self-employment. These findings have practical implications for entrepreneurs making re-entry choices and policymakers aiming to enhance economic development through more successful self-employment.

Finally, this study provides empirical evidence of wage employees' career transitions using a unique longitudinally matched dataset. Research on habitual entrepreneurs is somewhat "limited in scope" (Carbonara *et al.*, 2020, p. 124) and requires more evidence of entrepreneurial performance dynamics through extended longitudinal research (Dobbs and Hamilton, 2007). This study responds to the need for more research on habitual entrepreneurship [that]: (a) emphasizes the role of the entrepreneur rather than the firm; (b) conducts analysis based on a large, representative, and longitudinal dataset; and (c) analyzes the performance of serial entrepreneurs' (Parker, 2013, p. 662). Solid evidence from longitudinal databases is scarce but critical for advancements in emerging research fields (Bögenhold, 2019; Ferreira, 2020).

The authors hope that future research can leverage this study's approach to incorporate insights on initial entry modes into self-employment and types of serial self-employment. This might be achieved through sampling procedures or the treatment of confounding factors to bring clarity to the relationship between individuals' characteristics, learning from failure, persistence, and performance as self-employed individuals.

6. Conclusion

There is often an assumption among researchers that wage employees leave their wage employment once they embark on entrepreneurship (Urbig *et al.*, 2021). Changes in society, industries, and technology have led to hybrid employment forms (Bögenhold, 2019), fostering alternative entry modes into self-employment. This study expands novice entrepreneurship research by exploring the mode of initial entry into self-employment and its association with the duration of the first two stints. Here are the practical implications presented:

6.1 Implications for practice and policy

Staged entry into self-employment offers several advantages for novice entrepreneurs. Wage employees who stage entry into self-employment can capitalize on opportunities, engage in entrepreneurship, and start self-employment with established ventures and a customer base. Moreover, they are more likely to stay rational by retaining focus on available labor market alternatives maximizing their benefits, using business performance as a benchmark (Bowen, 1987), noting negative market reactions, and devising early exit strategies (DeTienne, 2010). This enables them to make tough decisions in the face of unsatisfactory business performance or better labor market opportunities (Bowen, 1987).

Wage employees opting for staged entry represent a distinct and growing category of novice, highly educated, and opportunity-driven entrepreneurs (Folta *et al.*, 2010). Policies that assume high initial commitment to self-employment from all novice entrepreneurs miss an opportunity to encourage highly educated, opportunity-driven individuals likely to form an instrumental attachment to self-employment. Tailored support policies addressing attachment bonds could foster entry into self-employment and subsequent performance outcomes among novice entrepreneurs.

It is essential for novice entrepreneurs and business support providers to recognize the learning potential available to every business owner engaging in staged entry into self-employment (Folta *et al.*, 2010). Experiential learning demands deliberate engagement and full resource dedication by wage employees aiming for the self-employment target (McGrath, 1999). Hence, education programs provided by policymakers and business support providers should incorporate techniques that offer support after participants complete goal-oriented experiential learning (Petrova, 2012) – emphasizing step-by-step goal pursuit or business development. Such programs could influence employees' decision-

making and facilitate their transition to self-employment while fostering commitment to business growth.

Less than 10% of former novice self-employed individuals in the sample re-entered self-employment during the studied years. Establishing clear performance standards, feedback mechanisms on past self-employment performance, evaluating potential success or failure, and early development of exit routes are necessary actions. These measures can correct courses of action, sustain rational behaviors among entrepreneurs, and alleviate anxiety related to serial self-employment (Parker, 2013). Developing appropriate self-regulatory mechanisms enables entrepreneurs to align their expectations and behavior with experience and environmental signals, safeguarding against escalated commitments and resource losses (Bowen, 1987).

6.2 Limitations and suggestions for future research

The study has several limitations suggesting opportunities for future research. An important limitation of this study is the restricted number of decision-making constructs within the secondary data. Consequently, the results should be interpreted cautiously. The dataset lacks comprehensive information concerning individuals' attachment bonds to careers, both as employees and as self-employed individuals, as well as the significance of business owners' human and social capital in prolonging their self-employment tenures. A dataset encompassing richer information on these variables and others could significantly enhance our understanding of the outcomes associated with different entry modes. Nevertheless, a crucial strength of the available data lies in its inclusiveness and the validity of information regarding individuals' career occupations and their evolution over an extended period. The utilization of tax authority data strengthens the methodology, substantially reducing the risk of misclassification among most self-employed business owners.

Furthermore, this study exclusively focuses on two bond types, omitting identification and acquiescence bonds from the discussion. The identification bond involves merging oneself with the target (Klein *et al.*, 2012). Waged employees typically require time and an opportunity to experience self-employment before identifying themselves as such. Consequently, they are less likely to develop an initial identification bond before entering self-employment. The acquiescence bond emerges when an individual views the bond as obligatory due to the perceived absence of alternatives (Klein *et al.*, 2012). Those with work experience are more inclined to engage in a parallel job search, influenced by the sunk costs associated with job searching (Klyver *et al.*, 2020). Former waged employees would thus be unlikely to form an initial acquiescence bond with the aspiration of being self-employed. Future research, however, should empirically test these relationships. Overall, we anticipate that Klein *et al.*'s (2012) differentiation between attachment bonds contributes to the clarity of research on the precursors of entrepreneurial behavior [4].

Third, the study did not differentiate between solo entrepreneurs and employer entrepreneurs. However, it did control for business profitability, which correlates with an entrepreneur's capacity to employ others. The study also did not account for distinguishing "necessity" or "opportunity" entrepreneurship. The likelihood of "necessity" cases in the sample was minimized for several reasons: (1) "Necessity" entrepreneurship is rare in Norway (Alsos *et al.*, 2023). (2) The study design factored in individuals' salary income in 2004, excluding those who were not part of the workforce. (3) Financial constraints do not correlate with individuals' choice of staged entry, and wage employees adopting staged entry into self-employment are often driven by opportunities (Folta *et al.*, 2010; Petrova, 2012). However, Norway's labor protection laws tend to direct people toward organizational employment (Kolvereid, 2016), potentially influencing the

likelihood and purpose of staged entry into self-employment. Furthermore, these characteristics are specific to the country and may impact the applicability of the findings. Given the cultural variations across countries, future research could replicate this study in different contexts, integrating relevant selection criteria for wage employees, various classifications of entrepreneurship, and focusing on exploring the influence of social networks on staged entry and serial self-employment behaviors and outcomes.

As this study concentrates solely on self-employed individuals who own incorporated businesses, those initiating “side hustles” are excluded. The authors argue that sidepreneurship – also known as side entrepreneurship, side activity entrepreneurship, diversified activities, or other gainful activities – and dependent self-employment constitute distinct types of entrepreneurship differing from hybrid entrepreneurship, which characterizes the initial phase of staged entry (Folta *et al.*, 2010). Consequently, the idea of “traditional wage employment” before and during the transition into business ownership is pivotal in the concept of staged entry. Future research should encompass various forms of business ownership to expand our comprehension of entry mode outcomes.

In this paper, an *entrepreneur* is defined as a majority business owner (Kolvereid, 2018; Kritskaya and Kolvereid, 2021). This means that some self-employed individuals, considered to have exited self-employment, may have merely reduced their ownership share to acquire resources for sustaining the venture. For instance, “entrepreneurs may relinquish a large percentage of equity for multiple rounds of funding (e.g., through a venture capitalist or angel investor), or they may use stock-related incentives (stock options, stock grants, or stock ownership) to attract highly desirable employees” (DeTienne, 2010, p. 210–211). However, such changes in ownership structure are infrequent. Moreover, reducing business ownership often leads to replacing owner-founders with professional management teams (DeTienne, 2010).

Future research could explore the potential impacts of culture, legal environments, and support policies, such as economic incentives, on the relationships between entry mode antecedents and outcomes in staged entry into self-employment. Additionally, understanding how wage employees manage their part-time ventures after transitioning into self-employment is crucial for identifying strategies that enhance business performance. Extensive robustness checks in the study demonstrated that right censoring was not an issue. Subsequent research could employ survival analysis to investigate differences in survival between self-employed and serially self-employed individuals choosing alternative entry modes into self-employment. Finally, while this study contributed to the literature by categorizing serially self-employed individuals into two mutually exclusive types, researchers should continue expanding this list and studying outcomes across various types of (serial) self-employment.

Notes

1. The authors aim to maintain consistent use of the term “wage employment” throughout the manuscript. However, the study does not distinguish between the terms “*paid employment*,” “*wage employment*,” and “*salaried employment*.”
2. Electronic [Supplementary Material 1](#), “*Norwegian Context and Incorporated Business Ownership in Norway*,” provides a description of the context of incorporated business ownership in Norway.
3. The authors extracted and verified the matched balance in each sample, revealing that the covariates were insignificant, suggesting a fair match. Further details on additional robustness tests are outlined in Electronic [Supplementary Material 4](#), “*Additional Robustness Tests*,” covering methodologies such as bootstrapping, interactions, exclusion of continuously self-employed individuals, controls for time to re-entry, staged entry before S2, and matching confounders.
4. We extend gratitude to one of the blind reviewers for inspiring this reflection.

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Appendix

The supplementary material for this article can be found online.

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