Beyond the Bright Side
Investigating Dark Aspects of Independent Entrepreneurship, Family Entrepreneurship, and Corporate Entrepreneurship

Mohamed Genedy
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Doctoral Thesis in Business Administration

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إلى عائلتي،

أشْرَف، سناء، سارة، أحمد و
دِيَنَا

لا أُبْرِحُ حَتَّى أَبْلِغَ مَجمَعُ الْبَخْرَينِ أو أَمْضِيْ حَقِيًَّا
Acknowledgment

While this dissertation carries my name, it embodies the result of efforts, insights, and support from a diverse group of scholars whose contributions have been essential. The journey to this point has been one of collaboration, learning, and profound personal growth, deeply enriched by the guidance, encouragement, and expertise of mentors, peers, family, and friends. It is with a heart full of gratitude that I acknowledge the invaluable roles played by many persons who have been a part of my PhD journey. Their collective support and help have not only made this dissertation possible but have also shaped me as a potential scholar.

I express my profound gratitude to Lucia Naldi and Karin Hellerstedt, my supervisors. Lucia and Karin's constructive feedback, support, and beliefs in me have been pivotal in shaping not only my research capabilities and competencies but also my holistic understanding of academia. Both Lucia and Karin dedicated significant time and energy brainstorming with me on the core concepts of this dissertation. They inspired me with numerous innovative approaches to address research problems both empirically and conceptually. Our meetings sparked creative insights and novel perspectives, paving the way for a richer and more comprehensive exploration of the research problems addressed in this dissertation. Their guidance and mentorship have been invaluable in shaping the direction and depth of my research endeavors. In fact, both Lucia and Karin taught me the "craft" of conducting research and, more importantly, at least from my perspective, the essential tacit knowledge of interacting, communicating, and conveying my research ideas to others. Particularly, their contributions during the review process of the first paper in this dissertation shaped my grasp of professionalism in academia and sharpened my ability to navigate scholarly interactions with "street-smart" agility.

I am extremely thankful for Johan Wiklund, my external supervisor, for the guidance he has provided throughout this journey. His mentorship has not only opened new perspectives but also offered ultimate support, pushing me forward in my PhD journey. Johan's insightful feedback and encouragement have been pivotal, encouraging me to explore untapped areas in my research and to challenge the status quo. His commitment to my academic and personal growth has been consistent, and I am deeply grateful for his invaluable contributions in this dissertation and to my development as a potential scholar. I am particularly grateful to all my supervisors, Lucia, Karin, and Johan for seeing the potential in me from our very first meeting. Without their belief in my potential and support, I would not be in the position of writing this acknowledgment.

I am also deeply grateful for Shaker Zahra, who has been my informal mentor since 2015. His early guidance and support have been fundamental in pursuing an academic career in general. He has been a source of inspiration, encouraging me to explore entrepreneurship from different perspectives, particularly its dark aspects—the focal of this dissertation.

I am sincerely grateful to the Centre of Family Entrepreneurship and Ownership (CeFEO) workshop, the Jönköping International Business School (JIBS) workshop.
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1 I deliberately do not differentiate between Lucia and Karin because both of them were “practically” my main supervisor.
To my family: I will not give up until I reach the junction of the two seas or spend years trying.

ما زرّة كل هذه الشكر الصادق، لما كانت هذه الرسالة لئلى النور بدون دعم عائلتي. حيهم غير المشروط، وتشجيعهم، وضحياتهم كانت أساس رجليتي. إيماني به، حتى في أكثر اللحظات الصعبة، كانوا كالقوفود لزمنتي وإيقاني مستمرًا. أنا مدين لهم بالشكر الذي لا يستطيع الكلمات التعبير عنه بشكل كامل.

To my family: I will not give up until I reach the junction of the two seas or spend years trying.
Abstract

Entrepreneurship is often perceived as a driving force for employment, innovation, and knowledge creation and is linked to poverty alleviation and economic growth. While entrepreneurship is often seen as a pathway for economic development and societal welfare, it does not consistently deliver the expected outcomes and, in certain instances, may exacerbate poverty, impede development, and present challenges to societal well-being and equality. This paradox within entrepreneurship emphasizes the necessity of exploring the negative (dark) aspects pertaining to entrepreneurship. Neglecting these negative aspects can lead to an incomplete understanding of entrepreneurship. Accordingly, this dissertation challenges the conventional positive view of entrepreneurship by (1) investigating some negative (i.e., dark) aspects of independent entrepreneurship, family entrepreneurship, and corporate entrepreneurship and (2) what might potentially mitigate these negative aspects. This is essential for achieving a balanced and comprehensive understanding of entrepreneurship’s role in the economy and society at large.

I draw on the theory of entrepreneurial allocation, which posits that entrepreneurship can be productive, unproductive, or destructive, as the main theoretical perspective of this dissertation. This dissertation includes three empirical papers, each focusing on a distinct type of ownership: owner-manager ownership (independent entrepreneurship), family ownership (family entrepreneurship), and external investor ownership (corporate entrepreneurship). Together, they offer different insights into the potential negative aspects pertaining to entrepreneurship. Each paper draws on different theoretical perspectives and aligns with particular Sustainable Development Goals (SDGs).

In paper 1, we draw on the scale-up, firm growth, and well-being literature, taking an employee perspective to examine the impact of scaling on employee well-being. Using data from 10,908 employees in new Swedish ventures, we find a positive association between scaling and employee burnout, along with a negative association with job satisfaction. This emphasizes that scaling, often associated with a positive view, can also bring challenges to employee well-being. Meanwhile, we show that employees with managerial roles and prior new venture experience are two groups of employees who are less likely to experience the negative consequences of scaling. Paper 2 investigates how family dynamics (the upbringing environment) within entrepreneurial families can influence offspring career choices. In this paper, we draw on the birth order literature, which adopts an evolutionary theory perspective, to suggest that offspring are exposed to a different upbringing environment due to the unequal distribution of parental resources, potentially affecting their personality and behaviors and thus resulting in unequal career opportunities. In this paper, we use data comprising 205,247 offspring residents in Sweden to show that later-born offspring, though more likely to join the parent’s business, often have a higher tendency to leave compared to their early-born siblings. However, these later-borns can be particularly advantageous in competitive or challenging business situations. In an additional analysis, we show that earlier-born offspring are more inclined toward independent entrepreneurship. Lastly, paper 3 focuses on the negative aspects pertaining to corporate entrepreneurship. Drawing on
agency theory, paper 3 shows that institutional investors (e.g., investment banks, insurance companies, etc.), while they are usually viewed positively because of their known sophisticated investment strategies and long-term horizons, induce negative effects and have a potential dark side on corporate entrepreneurs. Specifically, I argue that the extant literature views institutional investors as a homogenous group in terms of their innovation preferences. This oversimplified view overlooks the possible variations within these institutional investors. Following an empirics-first (EF) approach, I segment institutional investors based on their innovation preferences, using portfolio data and historical trading information. This analysis identifies three distinct segments: innovation-friendly, innovation-unfriendly, and innovation-investment-oriented. Using a sample of 6,438 U.S. publicly traded firms, I find that firms predominantly owned by innovation-unfriendly institutional investors experience a decrease in innovation productivity and overall firm value compared to those dominated by innovation-friendly investors. Moreover, I show that firms can strategically position themselves to attract innovation-friendly institutional investors in order to mitigate the negative effects enacted by innovation-unfriendly investors.

This dissertation offers several contributions to the field of entrepreneurship. First, it contributes to the potential (social) costs of entrepreneurship by investigating some negative aspects pertaining to independent, family, and corporate entrepreneurship. Second, it adds to the ongoing discussion on how to mitigate these negative aspects. Third, this dissertation contributes to the theory of entrepreneurial allocation by revealing that beyond traditional institutional actors like governments, there are other influential forces, such as the entrepreneur, entrepreneurial firm, and institutional investors, that can direct entrepreneurial activities towards productive, unproductive, or destructive paths. This dissertation provides implications for policymaking relevant to four specific Sustainable Development Goals: SDG 3 (promoting well-being), SDG 8 (fostering a decent work environment), SDG 10 (addressing inequalities), and SDG 9 (enhancing innovation). It also has implications for practitioners such as entrepreneurs and their followers (i.e., employees).
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Paper 1

Growing pains in scale-ups: How scaling affects new venture employee burnout and job satisfaction

Paper 2

Navigating career choices in parent-owned businesses: The impact of offspring birth order on joining and leaving the parent’s business

Paper 3

The effectiveness of investor innovation friendliness

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1 Introduction

This dissertation is about some negative (dark) aspects of entrepreneurship. It argues that it is important to acknowledge that not all entrepreneurial activities consistently yield desirable outcomes and proposes that our understanding of such negative aspects of entrepreneurship is incomplete. Hence, this dissertation aims to study some negative (i.e., dark) aspects of entrepreneurship in three distinct ownership types: owner-manager ownership (independent entrepreneurship), family ownership (family entrepreneurship), and external investor ownership (corporate entrepreneurship). In addressing these concerns, this dissertation enriches the entrepreneurship literature and integrates insights from different related theoretical frameworks. The main theoretical perspective of this dissertation is the theory of entrepreneurial allocation, which posits that entrepreneurship can be productive, unproductive, or destructive. This dissertation includes three empirical papers, each corresponding to a distinct ownership type. This dissertation offers several important contributions to theory and practice, and each paper aligns with specific Sustainable Development Goals (SDGs).

This introductory chapter is organized into four sections. First, it explores the extant literature, briefly discussing the bright side of entrepreneurship. Then, the following part on the dark sides pertaining to entrepreneurship shows the extant literature and the theoretical gaps with respect to three different firm ownership types. Subsequently, it identifies the research aims of this dissertation. Then, the discussion turns to the relevance and importance of this dissertation. The chapter then moves on to clarify key concepts. Lastly, it concludes by outlining the overall structure of the dissertation.

1.1 Toward the dark side of entrepreneurship

1.1.1 The bright side pertaining to entrepreneurship: An overview

Entrepreneurship research typically emphasizes the positive impacts of entrepreneurial activities (Davidsson, 2016; Davidsson & Wiklund, 2001). The benefits of entrepreneurial activities are evident across different levels (Saebi et al., 2019). At the macro level, entrepreneurship is often perceived as a driving force for employment and job creation (e.g., Acs & Armington, 2004; Haltiwanger et al., 2013; OECD, 2013), nations’ productivity (e.g., Audretsch & Keilbach, 2004), and innovation and knowledge creation (e.g., Acs et al., 2013; Acs et al., 2009; Audretsch & Keilbach, 2007; Shane, 2001). It positively impacts the society (e.g., McMullen & Warnick, 2016; Zahra & Wright, 2016) and contributes to the overall economic development (e.g., Baumol, 1996). Furthermore, entrepreneurial activities are usually associated with economic growth and dynamism, which is the ability of an economy to adapt, evolve, and grow (Fritsch & Mueller, 2004; Stel et al., 2005; Wennekers et al., 2005). This dynamism is achieved by facilitating the transformation and development of industries, which entrepreneurs often drive by the introduction of novel technologies and business models (Bresnahan & Trajtenberg, 1995;
Schumpeter, 1934). This evolution of the economy, driven by entrepreneurial innovation, emphasizes the vital role of entrepreneurship in sustaining the nation’s long-term economic competitiveness and adaptability (Wright & Zahra, 2011; Zahra & Wright, 2016).

At the meso level, which refers to the firm level, entrepreneurship demonstrates its value creation through activities such as entrepreneurial orientation and corporate entrepreneurship. Entrepreneurial orientation, characterized by a firm’s innovation, risk-taking and proactiveness, has been shown to significantly contribute to the growth, survival, and competitiveness of both new and established firms (e.g., Covin & Lumpkin, 2011; Covin & Wales, 2019; Lumpkin et al., 2010; Lumpkin & Dess, 1996; Naldi et al., 2007; Rauch et al., 2009; Wang, 2008; Wiklund, 1999; Wiklund & Shepherd, 2005). These entrepreneurial orientation activities enable firms to overcome market information asymmetry, adapt to market changes, and explore, evaluate, and exploit emerging market opportunities (Covin & Slevin, 1989; Shane & Venkataraman, 2000). In a similar vein, corporate entrepreneurship, particularly through strategic renewal and corporate venturing, enables established firms to continuously evolve and reinvent themselves in alignment with changing market conditions (e.g., Covin & Miles, 1999; Ireland et al., 2009; Zahra, 1996).

Lastly, at the micro level, namely the individual level, entrepreneurship is known for offering both pecuniary and non-pecuniary benefits to the entrepreneur. Pecuniary benefits, which are the potential for increased income and earnings, are often linked with entrepreneurship (Hamilton, 2000). Non-pecuniary benefits are equally significant. Ryff (2019) and Wiklund et al. (2019) argue that individuals are motivated to pursue entrepreneurship for eudemonic well-being, which includes environmental mastery, autonomy, personal growth, and a sense of purpose. These aspects reflect the deep personal fulfillment and satisfaction that individuals can derive from entrepreneurial activities. Additionally, the extant literature showed that entrepreneurship, especially as a late-career choice, can fulfill psychological needs like control, self-realization, and job satisfaction (Kautonen et al., 2017). Together, whether pecuniary or non-pecuniary benefits, increase the entrepreneur’s quality of life (Hamilton, 2000; Kautonen et al., 2017; Ryff, 2019).

1.1.2 The dark side pertaining to entrepreneurship: Extant literature and theoretical gaps

While entrepreneurship is often viewed as a pathway to positive societal impacts and overall development, it is important to acknowledge that not all entrepreneurial activities consistently yield desirable outcomes (Anand et al., 2023; Shepherd, 2019). In some cases, these entrepreneurial activities, whether conducted by entrepreneurial firms or individual entrepreneurs, can result in negative societal impacts and hinder economic development (Wright & Zahra, 2011; Zahra & Wright, 2016). Additionally, they might jeopardize the stability of the firms, especially in the long run, and adversely affect the entrepreneurs along with their stakeholders, including their followers (e.g., employees and offspring).

In this dissertation, the dark side of entrepreneurship extends beyond illegitimate or unethical activities like criminal activities, misconduct, or fraud. In
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fact, many entrepreneurial activities that are legitimate and sometimes even ethical can lead to adverse outcomes for various stakeholders. As noted by Wright and Zahra (2011), the outcomes of entrepreneurship are not consistently positive and can emerge in alternative forms. For instance, Schumpeterian entrepreneurship is built upon “creative destruction” (Schumpeter, 1934), where new innovations disrupt existing markets and technologies. While this drives progress and directly benefits its introducers (i.e., entrepreneurs) and users (e.g., customers), it can also lead to significant challenges for other businesses, societies, and countries (Wright & Zahra, 2011). For instance, other businesses or even other countries may lose their competitive edge due to an inability to adapt to technological changes. This can result in widespread unemployment, human displacement, and negative societal impact (Wright & Zahra, 2011). Relatedly, the rapid changes brought by entrepreneurial activities can render existing businesses and skill sets obsolete, leading to societal and economic costs (Zahra et al., 2009). Similarly, entrepreneurial success (e.g., firm expansion and growth) can sometimes contribute to undermining competition (Miller, 1983; Wiklund et al., 2009). For example, entrepreneurs who achieve considerable success can affect the existing market dynamics (e.g., Wiklund & Shepherd, 2005). This outperformance can restrict opportunities to new market entrants (e.g., Zahra & Wright, 2016), which, in turn, can impede the total entrepreneurial activities like rates of new venture creation and innovation (Aghion et al., 2005). Lastly, the pursuit of success in entrepreneurial ventures often demands an immense commitment of time and effort (Cardon et al., 2009; Naldi et al., 2013; Wiklund et al., 2003). This intense dedication, while vital for business success, can leave entrepreneurs with limited time for their families, potentially straining personal relationships (Jennings & McDougald, 2007; Kets de Vries, 1985; Powell & Eddleston, 2013). As Wright and Zahra (2011) noted, “Entrepreneurs’ persistence and hard work, which are admirable qualities, could create tensions, rigidity, and unwillingness to cooperate with members of the family (Beaver & Jennings, 2005). In some family firms, these tensions may induce fatal sibling rivalries that are not easily managed. Tensions multiply as entrepreneurs attempt to manage their families’ day-to-day involvement in the business and negotiate differences of opinions that might exist across the family’s members and generations.” In sum, Baumol (1996) labels the entrepreneurial activities resulting in adverse consequences as unproductive or even destructive entrepreneurship (for a detailed discussion, see the theoretical perspectives section).

The current literature on the dark side of entrepreneurship often does not distinguish between different types of firm ownership. Nonetheless, it is evident that the negative aspects of entrepreneurship are present across all main types of firm ownership, namely owner-manager ownership (Klyver et al., 2018; Patel & Wolfe, 2019; Ucbasaran et al., 2013; Wach et al., 2021), family ownership (Ahrens et al., 2015; Amore et al., 2014; Bertrand & Hallock, 2001; Cruz et al., 2014; Kellermanns et al., 2012; Le Breton-Miller & Miller, 2016; Wang, 2010), and external investor
ownership (Chakravarty & Grewal, 2011; He & Tian, 2013). Zahra and Wright (2016) emphasize that negative aspects pertaining to entrepreneurship persist across all main types of firm ownership, including owner-manager ownership (independent entrepreneurship), family ownership (family entrepreneurship), and external investor ownership (corporate entrepreneurship). It is thus important to study some negative aspects of entrepreneurship across owner-manager, family, and institutional ownership types to provide a comprehensive and complete understanding. This approach ensures that the diverse and unique dynamics of each ownership type are considered, providing a more holistic view of negative aspects pertaining to entrepreneurship. Each of the following sub-sections includes an introduction about each ownership type, the extant dark side literature of each ownership type, and the theoretical gaps of each ownership type.

### 1.1.2.1 Independent entrepreneurship: Owner-manager ownership

In this section, I first introduce independent entrepreneurship, emphasizing the unique characteristics that distinguish owner-manager ownership from other ownership types, especially in entrepreneurial orientation and firm growth. I focus on these aspects because of their importance in sustaining a competitive advantage irrespective of the ownership type (Covin & Lumpkin, 2011; Covin & Miles, 1999; Fosfuri et al., 2016; Greve, 2008). Following this introduction, I briefly discuss the negative aspects (dark side) pertaining to independent entrepreneurship (i.e., in the owner-manager ownership type), drawing on the extant literature. Then, I conclude the section with the potential theoretical gaps with respect to the negative aspects (dark side) pertaining to entrepreneurship in the owner-manager ownership type. The research gap for the first paper in this dissertation is derived from these theoretical gaps in the owner-manager ownership type (for details, see section 1.2).

Independent entrepreneurship refers to the startup process, where the entrepreneur is the founder, owner, and manager of the new venture (Zahra & Wright, 2016). In these businesses, the owner-manager roles fully overlap. This type of entrepreneurship is known for the direct alignment between the entrepreneur’s vision and the new venture’s operational and strategic direction. Unlike the managers of other ownership types, these owner-managers were fully involved in the startup process of their independent new ventures, inherently linked to the recognition and exploitation of opportunities (Shane & Venkataraman, 2000). In this ownership type, the involvement of owner-managers in the startup phase not only emphasizes their direct connection to opportunity recognition and exploitation but also demonstrates their entrepreneurial orientation (EO) inherent in their new ventures (for details on EO on individual-level, see Covin et al., 2020; Wales et al., 2020). Specifically, compared to other ownership types where owners and managers are separated, the owner-managers of these new ventures show (1) innovativeness by consistently seeking new ideas, products, and services without being pressurized to meet short-term returns and jeopardizing the long-term innovation projects leading them to

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2 External ownership refers to institutional investor shareholders who have a percentage of ownership in a publicly traded firm (for details, see section 1.1.2.3). Institutional investors can be investment banks, credit unions, pension funds, insurance companies, hedge funds, and mutual funds (Brickley et al., 1988).
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flexibly respond to rapid market demands (e.g., Covin & Lumpkin, 2011); (2) proactiveness in seeking market opportunities and taking bold actions to seize market changes timely before their competitors (e.g., Rauch et al., 2009); (3) embraced risk-taking to pursue growth and innovation without being deterred by the failure or pressurized for short-term returns (e.g., Wang, 2008); and autonomy as they have the freedom to make independent decisions without being constrained by external owners or influences, which enables them to respond flexibly to market opportunities and challenges (e.g., Covin & Wales, 2019; Wales et al., 2020). This EO, driven by the owner-manager’s entrepreneurial mindset and vision, is evident in maximizing the overall value, profits, and innovation of the new venture (Covin & Lumpkin, 2011; Covin & Miles, 1999).

Additionally and relatedly, one of the main motivations and behind independent new ventures is the desire of the entrepreneur to grow and expand their business (Delmar et al., 2003). While it is argued that growth is not always an indication of success because not all managers/entrepreneurs have growth-based goals (McKelvie & Wiklund, 2010), still it is often observed among these firms (Coad, 2007; Nason & Wiklund, 2018; Wiklund et al., 2009). This growth motivation is what distinguishes these new ventures from family businesses and corporate firms (Greve, 2008). There are ample studies aiming at predicting and explaining new venture growth (Demir et al., 2017; McKelvie & Wiklund, 2010). These studies see growth as an outcome of this owner-manager ownership type, where growth is argued to be a strategic objective of the firm/owner-manager (Penrose, 1959; Shane, 1996; Shi et al., 2018). In contrast to family-owned businesses and publicly-owned firms, research focusing on independently-owned ventures emphasizes the pivotal role of individual characteristics, i.e., those of the entrepreneur/owner-manager (Stewart Jr et al., 1999). Gilbert et al. (2006) show that individual characteristics and traits of the entrepreneur are the most commonly studied predictors of growth, highlighting the direct and distinct influence of personal attributes on the new venture’s growth.3 These new ventures are also unique in terms of how they grow and how much do they grow (McKelvie & Wiklund, 2010) because of the complexities in the patterns of their growth (e.g., Coad et al., 2015; Derbyshire & Garnsey, 2014). For instance, Achtenhagen et al. (2017) show that, in their formative years, medium-sized ventures exhibited varied growth patterns. This variability emphasizes the inherent instability and unpredictability in establishing a definitive growth trajectory for these owner-manager firms (Coad & Hölzl, 2009; Daunfeldt & Halvarsson, 2015). In fact, Garnsey et al. (2006) show that the growth of these ventures is non-linear. Relatedly, Coad et al. (2015) observed that the growth of these ventures has components of randomness, and thus, it is not on a systematic basis where a pattern can be easily detected. Taken together, the distinct motivation for growth, alongside the unique patterns and rates at which independent new ventures grow, clearly differentiates them from family-owned and publicly-owned firms. This highlights the role of the influence of the owner-manager’s individual characteristics, managerial capabilities,

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3 In addition to the individual level growth predictors, other studies focused on firm and industry-level predictors (Baum et al., 2001). However, these predictors are mostly overlapping with those of family-owned and publicly-owned firms {Moreno-Menéndez, 2021 #1222}.
and possessed resources on the venture’s growth, as argued by Penrose (1959). The following sub-sections discuss the extant literature and theoretical gaps of the negative aspects pertaining to independent entrepreneurship (owner-manager ownership).

**Extant literature.** In new ventures or startups, the business and the entrepreneur (mostly the same as the founder) often overlap, resulting in a close interconnection of personal and professional aspects. This overlap is evident in early-stage ventures (e.g., Powell & Baker, 2014). Much of the research on the dark side of entrepreneurship has focused on new ventures, particularly the negative effects related to the entrepreneurs themselves, for example, the financial instability experienced by individuals when pursuing entrepreneurship. Shepherd (2019) argues that entrepreneurial activities can have downsides for the entrepreneur, referring to capital and financial losses. For instance, the risk of business failure can put entrepreneurs into financial distress, with potential long-term implications for bankruptcy (Ucbasaran et al., 2013). These adverse effects are more prominent in the absence of adequate social support (Klyver et al., 2018).

In addition to financial challenges, entrepreneurs often face another negative aspect associated with entrepreneurship: the loss of personal relationships (Kets de Vries, 1985; Zahra & Wright, 2016). This social loss, resulting from the demanding nature of entrepreneurial activities, affects the entrepreneurs’ personal lives (Shepherd, 2019). In the seminal article “Confessions of a successful entrepreneur,” published in *Harvard Business Review* (HBR), du Toit (1980) mentioned that in the pursuit of rapid and profitable growth for his new venture, he had lost many valued friends. This social loss was a direct result of the intense focus and time demands of managing a new venture. This loss of social connections, a social stressor, can have profound negative implications for the entrepreneur’s mental and emotional well-being (see Stephan, 2018). For instance, Kollmann et al. (2019) show the negative impact of daily work entrepreneurial stressors on the entrepreneur’s well-being, revealing that both novice and experienced entrepreneurs suffer from insomnia and work-home interference. In a similar vein, Patel et al. (2019) examine the negative physiological effects of long-term self-employment, revealing a correlation between extended self-employment periods and increased allostatic load, a biological marker of stress, which impacts the physical health of the entrepreneur. Further, Wach et al. (2021) reveals that specific challenge and hindrance stressors in entrepreneurship hinder psychological detachment from work, leading to reduced well-being of the entrepreneur. In sum, as Shepherd (2019) noted, the negative aspects associated with entrepreneurship can extend beyond mere financial setbacks to affect the socio-economic status of entrepreneurs (Jenkins et al., 2014; Singh et al., 2007), leading to broader health-related and societal issues (Stephan & Roesler, 2010; Wiklund et al., 2019).

In summary, the existing body of research on independent entrepreneurship focuses on the effects on the entrepreneurs themselves. Specifically, the financial instability often encountered by entrepreneurs, characterized by the risks of business failure and financial distress, directly impacts their financial status (Shepherd, 2019; Ucbasaran et al., 2013). Furthermore, prior research also studies different stages of entrepreneurship, such as start-up, growth, or scale-up, presenting unique social and
mental health challenges. These include the impact on personal relationships and mental health due to work-related stressors (e.g., Kets de Vries, 1985; Kollmann et al., 2019; Patel & Wolfe, 2019; Stephan, 2018; Wach et al., 2021). These insights demonstrate how independent entrepreneurship, while a driver for economic development, intersects with broader socio-economic and health-related issues.

**Theoretical gaps.** In independent entrepreneurship, particularly concerning new ventures, the focus has predominantly been on the entrepreneurs and their experiences. However, our understanding remains limited regarding how the followers of these entrepreneurs, namely their employees, experience potential negative aspects associated with entrepreneurship. In specific, employees of these new ventures, an integral part of the success of these ventures (DeSantola & Gulati, 2017; Gulati & DeSantola, 2016), may face similar or unique challenges, ranging from work-related stress and health issues to socioeconomic vulnerabilities. For instance, the work environment and culture established by entrepreneurs can significantly influence their employees’ well-being and job satisfaction. Likewise, gender dynamics within entrepreneurial firms can have implications for equality and fair treatment in the workplace. These concerns about employees are often related to the assumption that entrepreneurs pursue entrepreneurship as they are “difficult” employees (du Toit, 1980; Zahra & Wright, 2016), given their idiosyncrasies, such as desire for independence, preference for personal control over all aspects of the business, and sometimes resistance to outside advice or interference (i.e., a full-blooded entrepreneur) (for details, see, Kets de Vries, 1985). Interestingly, these characteristics related to being a difficult employee are considered one of the reasons why the entrepreneur was involved in entrepreneurship in the first place (Zahra & Wright, 2016).

1.1.2.2 **Family entrepreneurship: Family ownership**

This section begins with introducing family entrepreneurship, emphasizing the distinct characteristics that distinguish family ownership from other ownership types, with a particular focus on their entrepreneurial orientation and firm growth. I focus on these aspects because of their importance in sustaining a competitive advantage irrespective of the ownership type (Covin & Lumpkin, 2011; Covin & Miles, 1999; Fosfuri et al., 2016; Greve, 2008). Then, drawing on the extant family business literature, I briefly discuss some of the negative aspects (dark side) pertaining to family entrepreneurship. Following that, I conclude this section with potential theoretical gaps concerning the negative aspects pertaining to family entrepreneurship. The research gap for the second paper in this dissertation is derived from these theoretical gaps in the family ownership type (for details, see section 1.2).

Similar to owner-manager firms (independent entrepreneurship), family-owned firms can exhibit a full overlap of ownership and management when the founding family controls and manages their own business. Prior research shows that family-owned firms exhibit entrepreneurial orientation (EO) similar to owner-manager firms, demonstrating their capacity for innovation, proactiveness, risk-
taking, and autonomy (Naldi et al., 2007). However, a distinguishing feature of family-owned firms, whether the ownership-management overlap is full or partial, is their emphasis on socio-emotional wealth (SEW) alongside financial wealth (Gomez-Mejia et al., 2007). This dual consideration adds complexity to their strategic decision-making and day-to-day operations, presenting challenges distinct from those encountered by non-family businesses (e.g., Kuiken et al., 2024). In specific, SEW in family firms represents the non-financial aspects of the business that the owning family seeks to preserve (Gomez-Mejia et al., 2011). It includes control and influence, identity alignment with the firm, binding social ties, emotional attachment, and the renewal of family bonds through dynastic succession (Berrone et al., 2012). These dimensions reflect the distinctiveness of family-owned firms, particularly their dedication to maintaining legacy, assuring family unity, and emphasizing long-term stewardship over short-term financial returns (Le Breton-Miller et al., 2011). This blend of family values, dynamics, and emotions in the business sets family firms apart from non-family firms (Berrone et al., 2012; Gomez-Mejia et al., 2011; Gomez-Mejia et al., 2014). Thus, family firms also encounter different ownership-management challenges, such as family or non-family succession (Amore et al., 2021), preparing the next generation for leadership roles (Dawson et al., 2014; Lyons et al., 2023; Pittino et al., 2018), resolving conflicts between family members involved in the business (Qiu & Freel, 2020), and balancing the interests of the family with those of the company (Calabrò et al., 2018). These diverse issues highlight the complex nature of running a family-owned business compared to other business ownership types.

Further, and related, growth in family-owned firms differs from that in owner-manager (independent) firms due to distinct factors such as the influence of SEW, long-term strategic orientations, and the involvement of next-generation and other family members in the business (Moreno-Menéndez & Casillas, 2021). Some studies suggest that family firms may experience low growth rates due to their risk-averse nature (Kuiken et al., 2024; Naldi et al., 2013) and emphasis on preserving the family legacy (Jaskiewicz et al., 2015). For instance, Campopiano et al. (2020) and Chen et al. (2014) find that entrepreneurial privately-owned family firms achieve relatively lower growth rates compared to owner-manager ventures. While Moreno-Menéndez and Casillas (2021) show that family firms tend to grow less in terms of sales, they exhibit more growth in terms of employees. This indicates a prioritization of job creation and resource allocation towards employment over aggressive sales (and market) expansion (Moreno-Menéndez & Casillas, 2021). Other studies show that within certain contexts, namely publicly-listed firms, family firms can outgrow their non-family counterparts (Lee, 2006). This growth is attributed to family firms’ emphasis on transgenerational control and their valuation of long-term investment and socioemotional wealth in strategic decisions, especially within supportive and positive institutional contexts (Miroshnychenko et al., 2021). In sum, family-owned firms face different challenges driven by their unique socioemotional wealth and family dynamics, distinguishing them from non-family businesses. The following sub-sections discuss the extant family business literature and theoretical gaps related to the negative aspects pertaining to family entrepreneurship (family ownership).
**Extant literature.** There is a notable focus in prior family business studies on maintaining the family firm’s legacy and values (Berrone et al., 2012; Gomez-Mejia et al., 2011; Gomez-Mejia et al., 2007; Naldi et al., 2013). Despite their prevalence, the dark side in family business literature has received relatively less scholarly focus compared to owner-manager firms (independent entrepreneurship). The dark side of entrepreneurship in family business studies often centers around the dynamics within the family firm and family owners themselves, examining challenges such as (generational) conflicts (e.g., Karofsky et al., 2001; Qiu & Freel, 2020), succession planning (e.g., De Massis et al., 2008; Hubler, 1999; Sharma et al., 2003), and the pressures of preserving the family’s business legacy (e.g., Calabrò et al., 2018; Chirico et al., 2019; Gimenez-Jimenez et al., 2021).

A substantial body of research has focused on these gender dynamics within family firms (e.g., Chrisman et al., 1998; Dumas et al., 1995; Galiano & Vinturella, 1995; Haberman & Danes, 2007; Wang, 2010), with a particular emphasis on the succession of the next generation (e.g., Bennedsen et al., 2007). Research beyond the family firm context also highlights the broader “liability of gender,” where women, regardless of family ties, encounter barriers in reaching the top corporate jobs, such as the CEO position (Amore et al., 2014; Bertrand & Hallock, 2001). Specifically within family firms, there is a pronounced bias toward appointing firstborn males for CEO roles and succession, influenced by the family’s aim to preserve socioemotional wealth (SEW) and follow established social norms (Calabrò et al., 2018). This gender inequality is evident during CEO appointments and succession processes, where women encounter barriers such as societal stereotypes and prominent gender roles, regardless of competence or interest (Sharma & Irving, 2005; Vera & Dean, 2005). This gender bias not only limits the professional growth of women within the family but also reduces opportunities and support in comparison to their male counterparts (Ahrens et al., 2015; Wang, 2010). In sum, this bias in family firms advocates male succession and leadership over female ones.

Another stream in family business literature focuses on the dark side of the socioemotional wealth (SEW) (Kellermanns et al., 2012). These studies argue that family firms, commonly perceived as socially responsible, can simultaneously exhibit socially irresponsible behaviors (Le Breton-Miller & Miller, 2016). Le Breton-Miller and Miller (2016) argue that the paradoxical sustainability practices of family firms often lead to unsustainable long-term social and environmental outcomes. These practices emphasize the complexities of achieving sustainable development in family-owned businesses.

Research by Cruz et al. (2014) questions whether family firms are really socially responsible. They show that while family firms positively impact social dimensions related to external stakeholders, they negatively affect internal ones. This leads to a paradox of being both socially responsible and irresponsible. This duality in CSR approaches within family firms indicates a contradiction in achieving diverse goals, where external social responsibilities are addressed, but internal stakeholder needs are often neglected. Le Breton-Miller and Miller (2016) further argue that this internal struggle is characterized by conflicts within the family, socioemotional restrictions that lead to conservative business practices, and agency costs that can potentially disadvantage certain stakeholders.
In line with this notion, Kellermanns et al. (2012) suggest that SEW dimensions in family firms can adversely affect proactive stakeholder engagement (PSE) due to family-centric behavior. Moreover, Du (2015) finds a positive significant relationship between corporate environmental misconduct and philanthropic efforts in Chinese family-owned firms, suggesting that family firms may engage in philanthropy to divert attention from their environmentally harmful practices. This finding reveals that family firms, at least in certain contexts, not only have negative societal implications but also environmental ones. Relatedly, Campopiano and De Massis (2015) compare family and non-family firms’ approaches to social and environmental disclosure. They find that family firms are less committed to communicating on issues related to values, general interests, and shareholder management. Meanwhile, non-family firms more frequently address topics such as honesty, fairness, and gender equality with greater transparency in shareholder communications. This highlights a distinctive aspect of the dark side of CSR practices in family businesses.

In sum, the literature on family entrepreneurship focuses on investigating issues related to gender dynamics in family firms, highlighting biases in leadership succession processes (see, e.g., Amore et al., 2014; Calabrò et al., 2018; Chrisman et al., 1998). Further studies within family business literature point to the potential paradoxes in sustainable practices and ethical business practices in family firms (e.g., Cruz et al., 2014; Le Breton-Miller & Miller, 2016). These studies highlight the challenge of managing external social responsibilities alongside internal family and business dynamics, illustrating the complexity of aligning family business practices with sustainable practices.

**Theoretical gaps.** The dark side of entrepreneurship in family business studies primarily focuses on family firm dynamics and the impact on family owners. Hence, this approach typically addresses the implications related to the family entrepreneur/owner and the firm itself. However, there is a notable gap in our understanding of how other family members, whether directly involved in the business or not, are affected by the family business and its entrepreneurial activities. Further exploration is needed regarding well-being, equality of opportunity, and perceptions of the workplace among these other family members. For instance, the well-being of the offspring and partners of family business owners working in the business remains underexplored. Further, it is crucial to understand whether all offspring have equal opportunities to join the family business, especially in their early career stages. Furthermore, the experiences of non-family employees in family businesses, in terms of their well-being and perceptions of a decent workplace, need further investigation. These aspects are crucial in comprehensively understanding the broader impacts of family businesses on various stakeholders.

### 1.1.2.3 Corporate entrepreneurship: External investor ownership

In this section, I first introduce corporate entrepreneurship, emphasizing the unique characteristics that distinguish external investor ownership from other ownership types, with a particular focus on corporate entrepreneurship and innovation (entrepreneurial orientation) and firm growth. I focus on these aspects because of their importance in sustaining a competitive advantage irrespective of the ownership
type (Covin & Lumpkin, 2011; Covin & Miles, 1999; Fosfuri et al., 2016; Greve, 2008). Following this introduction, I briefly discuss the negative aspects (dark side) pertaining to corporate entrepreneurship (i.e., in the institutional ownership type). Then, I conclude the section with the potential theoretical gaps with respect to the negative aspects (dark side) pertaining to entrepreneurship in these external investor ownership types. The research gap for the third paper in this dissertation is derived from these theoretical gaps in the external investor ownership type (for details, see section 1.2).

While publicly-owned firms have access to more capital (Bernstein, 2022; Brav, 2009; Poulsen & Stegemoller, 2008) and might be potentially owned by more competent owners (Foss et al., 2021, 2023), they also encounter distinct challenges under external (institutional) investor ownership. Unlike owner-manager and family-owned firms, where ownership and management often overlap, publicly-owned firms under external institutional investor ownership exhibit a distinct separation between institutional owners (principals) and managers (agents). This complete separation leads to potential conflicts of interest, emphasizing the agency problem, where the goals of managers may not always align with those of external (institutional) investors (Jensen & Meckling, 1976). A core argument of agency theory is the recognition of divergent interests between agents and principals (Connelly et al., 2010; Jensen & Meckling, 1976). The interests of external investors typically revolve around profit maximization (Kothari et al., 2016; Mizik, 2010; Mizik & Jacobson, 2003), driving them to exert pressure on firms to prioritize strategies yielding immediate financial returns (Chakravarty & Grewal, 2011; Wies et al., 2023), sometimes at the expense of long-term innovation (Wies & Moorman, 2015). This pressure often leads the firms’ managers to prioritize short-term gains over long-term investments, e.g., innovation (Wies & Moorman, 2018; Wies et al., 2023). Moreover, firms’ managers—also known as corporate entrepreneurs in corporate entrepreneurship literature (see, e.g., Urbano et al., 2022; Zahra & Wright, 2016)—may also have personal incentives that do not always align with maximizing shareholder value (Gunny, 2010; Roychowdhury, 2006; Saboo et al., 2016), fostering innovation (Graham et al., 2005), or engaging in strategic renewal (Zahra, 1996). These personal interests may include job security, higher compensation, and favorable stock market reactions (Graham et al., 2005), which can deter them from committing to long-term strategies such as innovation or strategic renewal. Consequently, the separation between ownership and management among publicly-

5 I use external investor ownership and institutional investor ownership interchangeably. I acknowledge that publicly-owned firms are also owned by non-institution investors (e.g., retail investors). However, compared to institutional-owned shares, these retail-owned shares are typically more spread among many investors and usually have less ownership concentration per investor. Conversely, institutional-owned shares often represent larger stakes in the company and are held by professional investors with significant resources and influence (Aghion et al., 2013; Bushee, 1998). Their concentrated ownership, engagement in active shareholder activism, and voting on corporate governance matters make institutional-owned shares more influential in shaping firm strategies compared to retail-owned shares (Brickley et al., 1988; David et al., 2001); with certain unique exceptions like blockholders of a given family, who may exert significant influence despite holding retail-owned shares (Leute et al., 2023).

6 I use corporate entrepreneur and corporate firm’s manager interchangeably. A corporate entrepreneur is an individual who has managerial duties in a publicly-owned firm, a firm owned by external investors (institutional or non-institutional) and has a distinct agency structure.
own firms introduces challenges, particularly related to agency problems, as short-term financial pressures and conflicting personal incentives may hinder long-term strategies and value creation within firms under external investor ownership.

The distinct agency structure of publicly-owned firms extends to their growth. While there could be minimal differences in the organic growth of these firms compared to owner-manager and family-owned ones, the differences in the external growth are more pronounced. Generally, the stock price of a publicly-owned firm is a primary concern for its managers (agents) (Bendig et al., 2018), particularly during certain capital raising events, such as seasoned equity offerings (SEOs)—the issuing of new stock by a publicly-owned firm (Mizik & Jacobson, 2007). This is because the amount of capital raised by the SEO-issuing firm—and consequently the firm’s prospective growth—is determined by its stock price on the day of the SEO event (Cohen & Zarowin, 2010; Kothari et al., 2016). In this context, managers (agents) may exploit information asymmetry, where they have more or better information than external investors (principals), by reducing discretionary expenses to artificially inflate the firm’s earnings and, in turn, its stock price before or during the SEO event (Mizik, 2010). These myopic management practices around SEO events are found to have negative consequential effects on the long-term performance of the firm (Cohen & Zarowin, 2010; Kothari et al., 2016; Mizik & Jacobson, 2007). Thus, information asymmetry, particularly during external growth prospect events, can lead agents to make decisions that prioritize their interests over those of the principals, particularly when agents want to present a more favorable view of the firm’s financial situation or prospects than is accurate (Crabtree et al., 2014; Saboo et al., 2016). Overall, these external growth prospect events of publicly-owned firms highlight the complexities inherent in their agency structure (Kothari et al., 2016; Mizik & Jacobson, 2007). The following sub-sections discuss the extant literature and theoretical gaps related to the negative aspects pertaining to corporate entrepreneurship (publicly-owned firms).

**Extant literature.** The extant literature on the dark side of corporate entrepreneurship focuses on negative outcomes stemming from either corporate entrepreneurs themselves (agents) or from external investors, namely institutional investors (principals). First, the dark side enacted by corporate entrepreneurs is typically related to accounting and finance studies. A common practice in this domain is myopic management (real earnings management), where corporate entrepreneurs artificially inflate earnings while cutting crucial expenses like R&D or marketing expenses (Kothari et al., 2016). A key motive behind this behavior is that corporate entrepreneurs aim to secure compensation and job security tied to stock market performance (Graham et al., 2005; McAlister et al., 2016; Mizik, 2010). Prior research shows that corporations practicing management myopia experience a deterioration in stock performance and firm value in the long term (Chapman & Steenburgh, 2011; Mizik, 2010; Mizik & Jacobson, 2007; Saboo et al., 2016), hindering sustainable economic growth. The innovation performance of firms also suffers as a result of management myopia (Bereskin et al., 2018; Moorman et al.,

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7 In fact, the importance of the stock price will be even greater to the firm’s manager when their compensation plan is tied to the stock price (Mizik & Jacobson, 2007).

8 The same behavior was observed and studied in similar events such as initial public offering (IPO) and new debt issuance (see, e.g., Crabtree et al., 2014; Saboo et al., 2016).
Beyond the bright side: Investigating dark aspects of independent entrepreneurship, family entrepreneurship, and corporate entrepreneurship

2012; Wies & Moorman, 2015). For instance, Bereskin et al. (2018) show that patent productivity and quality deteriorate after practicing management myopia. Further, Moorman et al. (2012) find that public firms, by deliberately delaying new product launches as a myopic strategy to falsely signal continuous innovation, experience reduced stock returns and revenue growth. Furthermore, Wies and Moorman (2015) show that post-IPO firms engage in myopic management, focusing on quantity over quality (novelty) in innovations. These practices emphasize the challenges of fostering innovation and building resilient infrastructure for sustainable industrialization.

Another common dark side practice among corporate entrepreneurs is manipulating accounting numbers in financial reports—a practice known as accruals management (Gunny, 2010; Roychowdhury, 2006). This practice impacts both the firm’s returns and its long-term innovation productivity (Bereskin et al., 2018; Cohen & Zarowin, 2010; Kothari et al., 2016). Accruals management, while benefiting short-term metrics, undermines the essential elements of sustainable economic growth and innovation.

While myopic management and accruals management raise concerns about publicly traded firms acting irresponsibly, a body of research has explored the extent to which these firms engage in socially responsible practices (Grewatsch & Kleindienst, 2017). For instance, Hull and Rothenberg (2008) show that less innovative firms gain more from CSR activities and investments as it differentiates them in the market, enhancing customer appeal. Interestingly, Kim and Statman (2012) proactive corporate entrepreneurs adjust their CSR-related expenditures, particularly in environmental investments, based on the investors’ responsiveness (preferences) to CSR activities, aiming for favorable financial returns. This strategic adjustment suggests that CSR activities in corporate entrepreneurship can be driven by the corporate entrepreneur’s desire for short-term financial gains rather than a genuine commitment to sustainable practices. In sum, this approach reflects a form of corporate irresponsibility.

The second dark side of corporate entrepreneurship is influenced by external investor pressures, which impact innovation. The extant studies show that the stock market itself pressures corporate entrepreneurs to prioritize immediate financial gains (e.g., through sales promotions), often at the expense of long-term investments in R&D and innovation (Chakravarty & Grewal, 2011; Graham et al., 2005). Agency theory suggests that these external investors (principals) in publicly traded corporations—whether institutional or non-institutional investors, typically driven by the pursuit of profit maximization (Mizik, 2010; Wies et al., 2023), are responsible for creating an environment where corporate entrepreneurs (agents) are discouraged from taking risks or investing in innovation (Zahra & Wright, 2016). For example, He and Tian (2013) show that public firms followed by many stock analysts generate fewer and less impactful patents. Similarly, Chakravarty and Grewal (2011) find that past high stock returns and volatility create pressure on corporate entrepreneurs to reduce innovation efforts to maintain stock performance. This literature on how external investors impact the firm innovation (for details, see Wies et al., 2023) reveals a significant challenge to innovate.
In sum, research on the negative aspects induced by corporate entrepreneurs reveals their impact on firm value and innovation, as well as challenges in sustainable practices. In specific, myopic management and accruals management are shown to affect long-term performance and innovation productivity (see, e.g., Bereskin et al., 2018; Kothari et al., 2016). Moreover, prior CSR studies suggest that CSR in corporate entrepreneurship can sometimes be motivated more by short-term goals and purely financial returns than a true commitment to sustainable practices (Hull & Rothenberg, 2008; Kim & Statman, 2012), questioning the authenticity of their commitment to being responsible firms. Furthermore, the second dark side pertains to external investors. Specifically, this body of literature shows how pressures from external investors influence their portfolio firm’s innovation (e.g., Chakravarty & Grewal, 2011; He & Tian, 2013). These studies reveal the challenges of maintaining high levels of corporate entrepreneurship activities due to external owner dynamics.

**Theoretical gaps.** While existing research extensively covers the dark side of corporate entrepreneurship enacted by corporate entrepreneurs, emphasizing their challenges with innovation and sustainable practices, there remains a significant gap in understanding the impact induced by external investors, namely institutional investors. Current literature predominantly focuses on the pressures these external investors place on corporate entrepreneurs not to innovate (e.g., Chakravarty & Grewal, 2011). However, there is a notable lack of knowledge regarding the investors themselves and their specific preferences. This gap calls for more research directed at identifying the potential different preferences among these external investors, which is expected to have implications for innovation. Recent initiatives, such as the work by Tian and Wang (2014), highlight that investors vary in their tolerance for failure, risk, and innovation, suggesting a need to further understand investor behavior and preferences. For instance, Wies et al. (2023) call for future research to view external investors as a non-homogenous group concerning their innovation preferences. Altogether, this urges the necessity for additional research to explore the diverse preferences of investors and their potential impact on corporate entrepreneurship. Conducting this research is crucial, as it could offer valuable insights into aligning external investor behavior with sustainable innovation outcomes of their portfolio firm.

In conclusion to the dark side of entrepreneurship, its exploration across different types of firm ownership has revealed distinct patterns and gaps within each category. While current literature provides substantial insights into some negative aspects pertaining to entrepreneurship, it often overlooks the nuanced differences and specific challenges inherent to each ownership type—whether independent, family, or corporate entrepreneurship.

### 1.2 The aim: What needs to be done?

The notion of a “dark side of entrepreneurship” has gained recognition in recent scholarly work (see Anand et al., 2023; Shepherd, 2019), arguing that we still know little about these dark sides and their potential negative outcomes. While the existing body of research provides significant insights into the negative effects pertaining to entrepreneurship, it often fails to adequately distinguish the unique challenges and
nuances specific to each type of firm ownership: owner-manager ownership (independent entrepreneurship), family ownership (family entrepreneurship), and external investor ownership (corporate entrepreneurship). The comprehensive review in the prior section emphasizes the necessity for focused research to address these identified gaps. Moving forward, the next stage in this dissertation involves selecting a critical gap within each ownership type to develop into a research paper. Doing this enriches our understanding of some negative aspects of independent, family, and corporate entrepreneurship.

This dissertation aims to study some negative (i.e., dark) aspects of entrepreneurship in three distinct ownership types: owner-manager ownership (independent entrepreneurship), family ownership (family entrepreneurship), and external investor ownership (corporate entrepreneurship). Each research paper in this dissertation investigates a particular negative aspect pertinent to one of these ownership types. This approach allows for an in-depth investigation of how different ownership types uniquely contribute to specific negative outcomes in their respective domains.

Accordingly, this dissertation includes three distinct papers, each examining a specific negative aspect within a distinct firm ownership type. These papers collectively aim to provide a comprehensive understanding of the unique challenges posed by different business ownership types.

Paper 1 focuses on owner-manager ownership (independent entrepreneurship) and addresses how employees, as followers of entrepreneurs, experience potential negative effects, particularly when the new venture scale-ups (for detailed theoretical gaps on negative aspects of independent entrepreneurship, see section 1.1.2.1). This paper examines the well-being of employees within such an entrepreneurial setting, namely new venture scaling.

Paper 2 is centered on family-owned businesses (family entrepreneurship). It investigates how offspring within entrepreneurial families are affected by the differences in the upbringing environment, depending on their birth order (for detailed theoretical gaps on negative aspects of family entrepreneurship, see section 1.1.2.2). This paper investigates how these family dynamics influence the early career opportunities of these offspring, particularly in the context of the entrepreneurial family environment.

Paper 3 addresses corporate entrepreneurship, with a specific focus on external (institutional) investor ownership. This paper explores how various segments of external investors, especially those with varying innovation preferences, impact corporate firms (for detailed theoretical gaps on negative aspects of corporate entrepreneurship, see section 1.1.2.3). This paper examines the potential negative effects of investors who exhibit low or no innovation preferences on key corporate entrepreneurship outcomes: innovation and firm performance.

Table 1 provides a detailed overview of the dissertation and its three papers. Table 1 clarifies the individual scope and focus of each paper in the dissertation and highlights how each contributes to the overall body of knowledge in the dissertation. Specifically, it aligns each paper with the dissertation’s overarching aim (see columns 4-6). This alignment illustrates the three studied negative aspects pertaining to entrepreneurship. Specifically, columns 4-6 in Table 1 show how, by whom, and to
whom these negative aspects occur in each paper. Additional information in the table includes the research question (column 2), the main theoretical framework used (column 3), and the negative outcomes explored (column 7) of each paper.

Table 1 An overview of the dissertation

<table>
<thead>
<tr>
<th>Papers</th>
<th>Research questions (RQ)</th>
<th>Theoretical perspectives</th>
<th>Negative aspects pertaining to entrepreneurship</th>
<th>Examined outcomes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paper 1</td>
<td>How does scaling affect employees in terms of burnout and job satisfaction?</td>
<td>Job demands-control (JDC) theory</td>
<td>New venture scaling</td>
<td>New ventures (independent entrepreneur-ship)</td>
</tr>
<tr>
<td>Paper 2</td>
<td>How do family dynamics affect the career choices of an offspring whose parent owns a business?</td>
<td>Birth order theory (an evolutionary theory)</td>
<td>Parental investment, attention, and resources</td>
<td>Family owners (family entrepreneur-ship)</td>
</tr>
<tr>
<td>Paper 3</td>
<td>How do investors differ in their innovation preferences? And how do investors with different innovation preferences influence the firm performance?</td>
<td>Agency theory</td>
<td>Ownership domination of innovation unfriendly institutional investors</td>
<td>External institutional investors (corporate entrepreneur-ship)</td>
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Note: a refers to the firm ownership type in which the negative effect pertaining to entrepreneurship is being studied.

1.3 The importance: Why is this important?

The aim of this dissertation serves two important purposes: (1) it aims to examine some negative (dark) aspects pertaining to entrepreneurship, and (2) it offers conditions or strategies that can mitigate these negative (dark) aspects. A core importance behind studying negative aspects of entrepreneurship is that it challenges the conventional positive ideology of entrepreneurship by exploring and investigating potential negative aspects that can arise across various ownership types.

In exploring negative aspects of entrepreneurship across the three firm ownership types, it is crucial to comprehend the dynamics of these effects—specifically, how they manifest, who is affected by them, and who is responsible for their occurrence. This deeper understanding sheds light on the less-discussed, darker aspects of entrepreneurship, significantly enriching the academic literature in the field (for detailed theoretical gaps, see section 1.1.2). Moreover, such insights are valuable for policymakers, influencing their policy-making decisions aimed at mitigating (and avoiding) these negative impacts. They also serve as a guide for entrepreneurs, enabling them to navigate these challenges more effectively. This
research knowledge is essential for entrepreneurship education, as it prepares future entrepreneurs to be aware that entrepreneurship has pitfalls.

Studying negative aspects is also important for several other reasons. First, it shows the need to understand the psychological and emotional challenges faced by employees and entrepreneurs within entrepreneurial firms. This understanding is essential for developing strategies and practices (e.g., HRM practices) that can reduce the negative effects and improve well-being (Shepherd, 2019). This fosters a healthier entrepreneurial environment. Second, understanding the conditions that lead to negative entrepreneurial outcomes is important (Anand et al., 2023). This facilitates a shift from the negative to positive aspects of entrepreneurship (vis-à-vis transitioning from destructive or unproductive to productive entrepreneurship) (Acemoglu, 1995; Baumol, 1996; Minniti, 2016; Trubnikov, 2021; Zahra & Wright, 2016). Lastly, studying the negative aspects of entrepreneurship helps to broaden the conversation about the costs of entrepreneurship by acknowledging its significant social and economic costs alongside its expected benefits (Davidsson, 2016; Zahra & Wright, 2016). This is essential for achieving a balanced and comprehensive understanding of entrepreneurship’s role in the economy. Beyond the theoretical importance of this dissertation, it also possesses a practical relevance. In this dissertation, I demonstrate a distinct connection between each paper of this dissertation and specific SDGs, emphasizing another core importance of this research (see section 5.2 Practical contributions). By studying some negative (dark) aspects of entrepreneurship, this dissertation extends beyond traditional economic analyses to provide a vital perspective on entrepreneurship. This connection with the SDGs emphasizes the importance of a comprehensive view of entrepreneurship. This research suggests that while entrepreneurial activities are often encouraged by policymakers for their ability to drive innovation, employment, and economic growth, there is an urgent need to address the dark side that may occur in various forms across different stages of the entrepreneurial life cycle (see column 5 in Table 1). Taken together, this dissertation should encourage entrepreneurship that is not only successful but also aligns with the principles of sustainable development, ensuring that social and economic welfare are not compromised.

1.4 Clarification of key concepts

In this section, I defined several core concepts that are pivotal throughout this dissertation. Establishing clear definitions for these concepts is crucial to ensure a common understanding of their intended meanings and interpretations within the context of my research.

*Entrepreneurship & the dark side of entrepreneurship.* To properly define the dark side aspects of entrepreneurship, it is crucial first to define entrepreneurship. Following McMullen and Warnick (2016) and Zahra and Wright (2016), which are also in line with Baumol (1996) *entrepreneurship* can be defined as the process of profit-seeking that involves the creation of societal wealth and economic welfare through the recombination of resources (including innovative means). Building on the work of Schumpeter (1934), these new recombinations include (1) the
development and introduction of a new product or service that was not previously available in the market, (2) the introduction of a new way of producing a good or delivering a service, which is not necessarily based on a discovery scientifically, (3) the expansion to a new market, by selling the products or services either in new geographical regions or to a new customer segment, (4) the reliance on new inputs (sources of supply) that was not previously known or used, and (5) new firms that could create a new monopolistic situation or break a current one. A core advantage of this definition is that it is not limited to the concept of profit or rent-seeking. It accounts for a broader notion of economic and societal returns, aligning with Baumol’s (1996) conceptualization of the entrepreneurial impact. In fact, this definition considers the net added value of entrepreneurship, as suggested by Davidsson (2016), where the net value is the difference between the accounting profit and costs incurred when conducting entrepreneurship (including the opportunity cost, societal cost, etc.). This comprehensive view effectively considers the pursuit of financial, social, and even potentially environmental value, which offers a full spectrum of entrepreneurial outcomes beyond mere financial gains. In summary, entrepreneurship, as defined in this dissertation, extends beyond mere profit-seeking, involving the creation of societal and economic value. However, the dark side of entrepreneurship emerges when activities are purely profit-driven, ignoring any societal benefits (Zahra & Wright, 2016). This occurs when the net value added of the entrepreneurial activity is zero, aligning with Baumol’s concept of “unproductive entrepreneurship” or when there is a negative value-added, which is equivalent to “destructive entrepreneurship” (Baumol, 1996; Davidsson, 2016; McCaffrey, 2018). In other words, the dark side of entrepreneurship emerges when the costs associated with entrepreneurial activities outweigh or equal the benefits. These scenarios reflect situations where entrepreneurial efforts fail to contribute positively to society or, worse, have adverse impacts. This view is also in line with the recent research posts and calls by Shepherd (2019) and Anand et al. (2023). In fact, the dark side of entrepreneurship includes not only illegitimate or unethical activities such as criminal behavior, misconduct, or fraud (Baumol, 1996), but also includes adverse outcomes stemming from otherwise ethical and legitimate entrepreneurial endeavors (Wright & Zahra, 2011; Zahra & Wright, 2016).

**Entrepreneurial activity.** It refers to a broad spectrum of activities or actions related to the entrepreneurship process. It includes, but is not limited to, the discovery, evaluation, and exploitation of opportunities as outlined by Shane and Venkataraman (2000). Following Davidsson (2016), this dissertation scope extends to include post-venture creation activities, such as growth, scaling, and innovation. These activities—whether pre- or post-venture creation, often involve Schumpeter’s concept of new resource recombinations and are often characterized by innovation, risk-taking, proactiveness, or competitiveness (e.g., Miller, 1983; Naldi et al., 2007).

**Entrepreneur.** Consistent with the definition of entrepreneurship and in line with Baumol’s view, an entrepreneur is an individual engaged in initiating one or more of Schumpeter’s five types of new recombinations aimed at profit-seeking (Baumol, 1996). These new recombinations may or may not always result in broader societal or economic benefits (Minniti, 2016; Sobel, 2008). In fact, even when entrepreneurs pursue new recombinations that are legitimate, legal, and even ethical,
these actions can still lead to adverse societal impacts, often stemming from the pursuit of self-interested paths. Entrepreneurs can operate as “independent” business founders, driving their own ventures (as shown in paper 1), or as corporate entrepreneurs, innovating within larger organizations (as shown in paper 3) (Zahra & Wright, 2016).

**Entrepreneurial families.** It refers to a family that actively engages in creating, managing, and growing one or more businesses. In this dissertation, a family is considered an “entrepreneurial family” when at least one parent has ownership in at least one limited liability corporation (LLC) and has at least two offspring from the same partner. These owning families are characterized by their entrepreneurial spirit, often involved in business development, innovation, and risk-taking across generations (Naldi et al., 2007). The businesses they manage are typically family-owned and operated, and the family’s values and legacy (e.g., SEW) often play a significant role in the business’s direction and operations (Gomez-Mejia et al., 2007). In line with the core notion of Daspit et al. (2021), I also acknowledge the heterogeneity across family firms and family entrepreneurs.

**Family dynamics.** In line with the birth order theory (e.g., Sulloway, 1996), *family dynamics* refers to the home upbringing environment shaped by the interaction with the parents and other siblings. It indicates that the various elements of upbringing at home, such as parental behavior, favoritism, allocated resources and attention toward the offspring, shape the personality, psychological development, behaviors and attitudes, and life choices of the offspring (e.g., Zajonc & Sulloway, 2007). Following the birth order logic, this dissertation includes families that have at least two offspring to fully capture the effect of birth order and the impact of family dynamics (the upbringing environment) (Campbell et al., 2019; Rohde et al., 2003).

**Ownership types.** In this dissertation, I follow the conceptualization of Zahra and Wright (2016) and view ownership types as owner-manager (independent entrepreneurship), family ownership (family entrepreneurship), and external investor ownership (corporate entrepreneurship). *Owner-manager ownership* is where the entrepreneur is the founder, owner, and manager of the new venture (Zahra & Wright, 2016). In these businesses, the owner-manager roles fully overlap. It often refers to the businesses in their conventional startup process, where entrepreneurs establish businesses independently, often characterized by innovation, proactiveness, and risk-taking (e.g., Wiklund & Shepherd, 2005). *Family ownership* is centered on businesses owned and usually, but not always, managed by families. While it can involve independent entrepreneurship, the unique aspect here is the influence of family dynamics on the business. This includes factors like transgenerational involvement, family governance, and the interplay of family relationships within the business context (see entrepreneurial families and family dynamics definitions above) (e.g., Calabrò et al., 2018; Garcia et al., 2019; Gimenez-Jimenez et al., 2021). Hence, a distinguishing feature of family-owned firms, whether the ownership-management overlap is full or partial, is their emphasis on socio-emotional wealth (SEW) alongside financial wealth (Gomez-Mejia et al., 2007). *External investor ownership* reflects the ownership of investors (principals) who are separated from the management, i.e., corporate entrepreneurs (agents) of corporations listed in the stock market (also refers to publicly-owned firms). These publicly-owned firms can be
Scaling. Drawing on the growth stages literature (see Levie & Lichtenstein, 2010; McKelvie & Wiklund, 2010) and building on the work of Cavallo et al. (2019) and Piaskowska et al. (2021), scaling is viewed as a transition between states and is defined as a positive and substantial deviation from the venture’s previous growth trajectory. This definition accounts for the venture’s aggressive expansion (Eisenmann & Wagonfeld, 2012; Shankar & Clausen, 2020) and exponential growth (Jansen et al., 2023). This definition, thus, views the scale-up stage as distinct from previous (and later) stages—whether they are “start-up,” “growing-up,” or high-growth stages (Autio et al., 2021; Coviello, 2019; Hart et al., 2021; Jansen et al., 2020; Monteiro, 2019). For instance, a growing venture in a steady state, even if growing exponentially, is not necessarily scaling unless it has undergone a transition, which is a deviation from the prior growth trajectory. When such deviations (transitions) occur, employees should experience work-related changes and reconsider their expectations of the venture’s growth (and their work) rate. In other words, our definition views scaling from an internal perspective, namely from the employees’ perspective, provided that we are concerned about how employees experience these transitions leading to scaling.

Well-being. Well-being is viewed as a multi-dimensional concept (see, e.g., Ryff, 2019; Sonnentag & Zijlstra, 2006; Wiklund et al., 2019; Wright & Bonett, 2007). It includes both the psychological response to job stress, referred to as job burnout (De Rijk et al., 1998), and the “evaluative judgment” an individual makes about their job or job situation, referred to as job satisfaction (Koch et al., 2021; Weiss, 2002).

Innovation. In this dissertation, innovation includes the investment in, and development and impact of, new technologies. Thus, I rely on the corporation’s patenting activities and R&D investments. I draw on various strands of innovation literature (e.g., Aggarwal & Hsu, 2014; Barrot, 2017; Belenzon & Berkowitz, 2010; Bernstein, 2015; Hall et al., 2001; Hall et al., 2005) and identify three dimensions of innovation: the quantity of patents produced, their impact, and the firm’s investment in innovation. First, the quantity of patents produced, vis-à-vis the number of patents granted to a firm, reflects the firm’s ability to generate new, patentable ideas or technologies (Bernstein, 2015; Hall & Ziedonis, 2001). Second, the impact of patents, vis-à-vis the forward citations received by a firm’s patents, indicates the quality and influence of its innovations (Hall et al., 2005; Hall & Ziedonis, 2001). Lastly, innovation investments are the firm’s R&D expenditures, demonstrating the firm’s
commitment to and interest in innovation and reflecting the resources allocated towards developing new ideas and technologies.

1.5 Structure of the dissertation

The remainder of the dissertation is organized as follows: Chapter 2 sets the foundation by discussing the theoretical perspectives that guide this Kappa and the papers. It begins with a discussion of the theory of entrepreneurial allocation, followed by an overview of the theoretical perspectives specific to each paper. Each of these theoretical perspectives ends up with the main research question(s) of each respective paper. Chapter 2 concludes with the general research model of this dissertation. In Chapter 3, the summary of the appended papers is presented. In Chapter 4, the methodological approach of the papers is outlined along with the philosophical stand of this dissertation. Chapter 5 concludes the dissertation. It covers the theoretical and practical contributions, addresses the limitations encountered during the research, suggests avenues for future research, and reflects on the ethical considerations that were integral to the research process.

2 Theoretical perspectives

To comprehensively understand the dark side of entrepreneurship, it is essential to recognize that not all entrepreneurial behaviors and activities yield productive outcomes (see, e.g., Douhan & Henrekson, 2010). In fact, some entrepreneurial activities are unproductive, and others can even be destructive to the stakeholders and society (e.g., Elert & Henrekson, 2016; Sobel, 2008; Trubnikov, 2021). The dark side of entrepreneurship is directly linked with the destructive and even unproductive entrepreneurship types (Anand et al., 2023; Shepherd et al., 2019). Building on Schumpeter (1934) arguments, one key motivator of entrepreneurial activities and involvement is the financial reward (i.e., rent-seeking) (Baumol, 1996). However, the pursuit of monetary gain, sometimes at the expense of societal welfare (Shepherd & DeTienne, 2005; Westlund & Bolton, 2003), represents a critical element of the dark side of entrepreneurship (Shepherd et al., 2019). Such a motivation for financial rewards can lead to unproductive or destructive entrepreneurial actions. This phenomenon intersects with different entrepreneurial activities, such as new venture scaling, entrepreneurial career opportunities, and innovation, each of which provides further insights into the dark side of entrepreneurship. These theoretical perspectives explore how various aspects of entrepreneurial activities, driven by financial gains, may result in outcomes conflicting with societal well-being, creating unequal opportunities and leading to myopic or low levels of innovation.
2.1 Theory of entrepreneurial allocation: A Baumolian view of entrepreneurship

Entrepreneurship is one of the key drivers of economic development (Schumpeter, 1934). This relationship between entrepreneurship and economic development has played a pivotal role in shaping effective policies (Acs et al., 2017; Aeeni et al., 2019). As a result, entrepreneurship scholars have devoted considerable attention to exploring the varied effects of entrepreneurship. A central exploration is Baumol’s (1996) work, which investigates the relationship between entrepreneurship and economic development. Baumol’s theoretical framework posits that the impact of entrepreneurship on economic development is largely contingent on the allocation of entrepreneurial resources across three entrepreneurship types: productive, unproductive, and destructive (Baumol, 1996). Baumol (1996) distinguishes between the total supply of entrepreneurs and entrepreneurial resources and the allocation of these entrepreneurs and entrepreneurial resources (Minniti, 2016). Baumol (1996) asserts that an institutional framework (e.g., a nation’s government) can influence how the total supply of entrepreneurship is distributed (i.e., the entrepreneurial allocation) across the three entrepreneurship types (Elert & Stenkula, 2022). However, it has a limited ability to affect the quantity (i.e., size) of the total supply of entrepreneurship, at least in the short run (Baumol, 1996; Minniti, 2016). This occurs because the allocation of entrepreneurial talent is mainly driven by the incentive structure (or structure of payoffs) established by institutions (Elert & Stenkula, 2022; McCaffrey, 2018) and not by the population’s underlying tendencies toward entrepreneurship (Minniti, 2016).

Taken together, the notion of entrepreneurial allocation provides key insights into why entrepreneurship fosters economic development in some nations but fails to do so in others (Sautet, 2013). To illustrate, Baumol (1996) argues that the allocation of resources toward productive (unproductive or destructive) activities is expected to result in higher (lower) economic performance.

2.1.1 Entrepreneurship types

Considering the critical role of entrepreneurship in driving economic development, Baumol (1996) introduces a nuanced framework for categorizing entrepreneurial activities. According to the entrepreneurial allocation theory, these activities are categorized as productive, unproductive, and destructive, each distinguished by their societal impact (Elert & Stenkula, 2022). This categorization stems from the understanding that the value of entrepreneurship extends beyond mere economic indicators (e.g., financial wealth) to include a wider range of societal outcomes (e.g., well-being) (Zahra & Wright, 2016).

Productive entrepreneurship refers to the entrepreneurship activities that have a net positive effect on productivity for both society and the entrepreneur (or entrepreneurial firm) (Baumol, 1993; Baumol, 1996). It is based on the Schumpeterian view of entrepreneurship, which is “carrying-out new combinations” of all types of resources (Baumol, 1996; Minniti, 2016). While productive entrepreneurship can involve new or replicative combinations of resources, it should
always have value to society (Minniti, 2016). In neoclassical production terms, productive entrepreneurship causes an outward shift (i.e., shift to the right) in the production possibility frontier (Elert & Stenkula, 2022; McCaffrey, 2018) and, ultimately, generates economic growth (Minniti, 2016). Productive entrepreneurs are, thus, assumed to innovate, create jobs, and generate new goods or services, which, in turn, not only affect their financial gains but also have positive social effects and changes, such as improving living standards (Wennekers & Thurik, 1999).

Meanwhile, unproductive entrepreneurship, not necessarily illegal or unethical, does not contribute to economic development or leave positive social effects (Elert & Stenkula, 2022) but merely to the entrepreneurs themselves. In fact, it has no net effect on the productivity of the society (McCaffrey, 2018). In the case of unproductive entrepreneurship, the production possibility frontier does not shift and remains unchanged (Elert & Stenkula, 2022). Entrepreneurs make no productive contributions (i.e., no value creation) to the real output of an economy or society when the structure of payoffs in an economy incentivizes unproductive activities, namely rent-seeking, which is more profitable (to the entrepreneur) than a productive activity (Baumol, 1993). Such a structure of payoffs that does not penalize but sometimes even incentivizes such unproductive paths encourages entrepreneurs (and their firms) to redirect their resources away from productive paths to unproductive ones because of the perceived future returns of those paths. In fact, as Minniti (2016: 218) stated, “It [unproductive entrepreneurship] is of questionable value to society since it produces merely a welfare transfer,” i.e., it is purely redistributive (McCaffrey, 2018).

However, destructive entrepreneurship refers to entrepreneurial activities that yield a net negative effect on productivity (McCaffrey, 2018). In fact, destructive entrepreneurship activities, while potentially generating profits for the entrepreneur, concurrently cause harm to both the economic and social welfare (see Minniti, 2016). In other words, unlike unproductive entrepreneurship activities, destructive activities are not only merely a welfare transfer but also harmful to society (e.g., causing social ill-being or producing myopic innovation). Desai and Acs (2007) describe destructive entrepreneurship as rent-destroying activities. Further, destructive entrepreneurship leads to an inward shift (i.e., shift to the left) in the production possibility frontier (Elert & Stenkula, 2022) and can, in extreme cases, lead to societal destabilization and negative economic growth. Initially, activities that are illegal or unethical are typically considered destructive (Baumol, 1996). However, in more recent work, this understanding has been expanded to include legally and ethically permissible activities that nonetheless have adverse impacts on social welfare (Anand et al., 2023; Shepherd, 2019). This broader perspective emphasizes the diverse and often subtle ways in which entrepreneurship can negatively influence social welfare.

While entrepreneurship types (productive, unproductive, and destructive) are insightful, it is important to recognize that these distinctions are not always straightforward, especially between unproductive and destructive (Baumol, 1993). For instance, the extant literature usually grouped unproductive and destructive, labeling them “non-productive” (Elert & Stenkula, 2022; Minniti, 2016; Sobel, 2008). Additionally, research on entrepreneurial failure, e.g., DeTienne et al. (2008) and Ucbasaran et al. (2013), often assumes that unproductive entrepreneurship
implies under-performing firms and business failure. While it may sometimes be the case, particularly in the long-term, it is not necessarily that unproductive entrepreneurship ends up with failure (McCaffrey, 2018). Unproductive and even destructive firms can still persist for various reasons, one of which maintaining profitability for entrepreneurs (i.e., pure rent-seeking). It is important to note that entrepreneurial allocation theory introduced by Baumol (1996) does not explicitly address the role of “uncertainty” (McCaffrey, 2018), a fundamental aspect of entrepreneurial dynamics (Knight, 1933). Uncertainty introduced the potential for failure, which is an inherent risk in all types of entrepreneurial activities and ventures. It is essential to acknowledge that unproductive or destructive entrepreneurial activities may persist (continue to operate) without necessarily failing, even when facing uncertainty. Hence, the assumption that unproductive or destructive entrepreneurship inherently carries a greater risk of failure than productive entrepreneurship may not hold true. Thus, the possibility of failure exists across all types of entrepreneurship and should be acknowledged and accounted for, irrespective to the type of entrepreneurship.

In sum, by categorizing entrepreneurial activities into productive, unproductive, and destructive, the theory of entrepreneurial allocation not only clarifies the diverse paths of entrepreneurship but also highlights the pivotal role of incentive structure (structure of payoffs) in shaping these paths. This deeper understanding of entrepreneurship types provides insights into the quality of entrepreneurship rather than its quantity. This focus on quality over quantity is a central concern of this dissertation.

### 2.1.2 Core arguments

The theory of entrepreneurial allocation, as originally introduced by Baumol (1996), is built upon four main arguments: search for rewards, quality of entrepreneurship, relative payoffs (or incentive structure), and the determinants of the relative payoffs and allocation (Baumol, 1996 cf. McCaffrey, 2018).

First, while Schumpeter (1934) endorses that the entrepreneur’s main concern is to engage in innovative activities for returns, Baumol (1996) offers a broader perspective. To illustrate, Baumol (1996) argues that entrepreneurs, although they pursue innovative activities to reap rents, are primarily driven by the pursuit of profit and social status and not necessarily innovation. This notion is a core argument in the theory of entrepreneurial allocation. It posits that there a range of entrepreneurial activities (or actions), other than the innovation-related ones, can reach similar end goals (i.e., profits). These alternative entrepreneurial activities each have their distinct implications for economic development and growth. By identifying and understanding these diverse activities, Baumol (1996) elaborates on the varied motivations behind entrepreneurship and its impacts on entrepreneurs, their stakeholders, and society at large. This “search for rewards” argument expands on the traditional Schumpeterian view of entrepreneurship, which focuses mainly on creativity and innovation. In other words, it suggests that there are different kinds of entrepreneurial activities that also impact productivity, growth, and economic development (McCaffrey, 2018).
Second, the theory of entrepreneurial allocation theory emphasizes that the “effectiveness” of entrepreneurship on economic growth and policy depends on how entrepreneurial resources and talents are allocated, and not how many there are (Baumol, 1993; Baumol, 1996). This approach shifts the focus from simply the amount of entrepreneurial talent (i.e., the quantity of entrepreneurship) to examining how it is distributed (i.e., the quality of entrepreneurship) (McCaffrey, 2018). This highlights the importance of directing entrepreneurial efforts toward productive, unproductive, or destructive (Minniti, 2016; Sobel, 2008).

Third and relatedly, the allocation of entrepreneurial efforts toward productive, unproductive, or destructive depends on their relative payoffs (Elert & Stenkula, 2022). These payoffs, influenced by various factors, determine the type of entrepreneurship that individuals pursue (Baumol, 1996; Minniti, 2016). Specifically, unproductive and destructive paths may be more attractive, especially if they offer higher profits to the entrepreneur compared to productive ones. Consequently, the structure of payoffs not only directs the entrepreneurial talent but also influences who becomes an entrepreneur, considering that not everyone has equal opportunities to pursue each path of entrepreneurship (McCaffrey, 2018).

Lastly, and in line with the previous argument, the relative payoffs of different entrepreneurship types are influenced by various factors (Aeeni et al., 2019). Understanding these factors is essential for understanding the distribution of entrepreneurial talent in society (Sobel, 2008). Initial work by Baumol (1996) argues that these relative payoffs are set by the institutional environment, referred to as the “rules of the game” (McCaffrey, 2018: 3). The theory posits that as the institutional environment changes, so do the relative payoffs and, consequently the entrepreneurs’ responses and entrepreneurial actions and activities (Baumol, 1996; McCaffrey, 2018). This notion is illustrated in Baumol’s historical case studies, which demonstrate how societal norms and institutions can influence entrepreneurs’ choices toward specific types of entrepreneurship. For example, ancient Rome adopted nearly every method of wealth acquisition but not commerce (Baumol, 1996: 899).

2.1.3 Contemporary perspective: Other players of the game

The preceding section outlines how the institutional framework (e.g., the government) shapes the relative payoffs and, thus, guides the allocating of entrepreneurial resources and talents among productive, unproductive, and destructive types of entrepreneurship (Baumol, 1996; Minniti, 2016). However, a recent stream of entrepreneurship research has questioned the simplistic role of entrepreneurs and entrepreneurial firms in influencing these relative payoffs in the theory of entrepreneurial allocation (see, e.g., Aeeni et al., 2019; Douhan & Henrekson, 2010; Elert & Stenkula, 2022; McCaffrey, 2018). In fact, this contemporary perspective challenges the original notion of Baumol (1996) by suggesting that the allocation of entrepreneurial efforts and relative payoffs are not solely impacted by external institutional frameworks but are also significantly influenced by the actions and characteristics of individual entrepreneurs and firms.

Acemoglu (1995) developed a model to test entrepreneurial allocation between productive and unproductive entrepreneurship empirically. He showed how
previous entrepreneurial behaviors, particularly unproductive ones, endogenously determine the current reward structures (i.e., relative payoffs) (Acemoglu, 1995). This could lead a given society to fall into a non-ending loop of rent-seeking equilibrium (i.e., unproductive entrepreneurship) (McCaffrey, 2018).

Relatedly, Douhan and Henrekson (2010) revisit the Baumolean view of entrepreneurship and propose a more dynamic role for entrepreneurs within the institutional framework. They argue that entrepreneurs can act as the “distributors” of institutional equilibrium, suggesting their entrepreneurial activities have the power to influence not only the working institutions but also the relative payoffs associated with different types of entrepreneurship (Elert & Stenkula, 2022; McCaffrey, 2018). Such entrepreneurial activities conducted by entrepreneurs can result in redefining what constitutes productive, unproductive, or destructive entrepreneurship (Douhan & Henrekson, 2010), emphasizing the interactive nature between individual entrepreneurs and broader institutional settings (Elert & Stenkula, 2022).

Moreover, in social entrepreneurship literature, Saebi et al. (2019) explore the microfoundations of entrepreneurial behavior. While their work does not directly address the theory of entrepreneurial allocation, it supports the importance of individual agency in the entrepreneurship (Saebi et al., 2019). They argue for the multi-level dynamics (microfoundations) of entrepreneurial behavior. Specifically, they emphasize the interaction between macro, meso, and micro levels of entrepreneurship, from societal and institutional context to individual entrepreneurs. Importantly, their work demonstrate how each level can shape entrepreneurial activities and actions either on the same respective level (e.g., meso-to-meso) or on a different level (e.g., meso-to-micro). In other words, Saebi et al. (2019) emphasize that the entrepreneur, entrepreneurial firm/teams, and institutional factors play crucial roles in shaping entrepreneurial actions. At the individual level, Saebi et al. (2019) suggest that social entrepreneurs are often driven by a “prosocial personality”—a personality trait characterized by caring about others’ welfare and rights, leading to actions that benefit society. As a result, entrepreneurial ventures (or teams) established by these entrepreneurs typically focus on social well-being rather than merely pure profits (i.e., productive entrepreneurship) (Zahra & Wright, 2016). This perspective proposes that the motivations and traits of entrepreneurs, such as prosocial orientation, can influence how entrepreneurial resources are allocated and the relative payoffs of different types of entrepreneurship (Elert & Stenkula, 2022; McCaffrey, 2018). In fact, Saebi et al. (2019) perspective advocates the idea that entrepreneurial actions can potentially shift from focusing only on profit or rent-seeking (i.e., unproductive entrepreneurship) to considering broader social welfare (i.e., productive entrepreneurship), aligning with the arguments made by Elert and Stenkula (2022), McCaffrey (2018), Douhan and Henrekson (2010), and Acemoglu (1995) regarding the impact of individual agency on entrepreneurial paths.

In conclusion, while the theory of entrepreneurial allocation is fundamentally correct (see Baumol, 1993; Baumol, 1996; Minniti, 2016), it is still incomplete (Elert & Stenkula, 2022; Sobel, 2008). Recent research suggests that the allocation of entrepreneurial efforts and relative payoffs, as proposed in the theory of entrepreneurial allocation, are shaped not only by external institutional factors but also by the actions and characteristics of individual entrepreneurs and firms (e.g.,
Douhan & Henrekson, 2010). Furthermore, the microfoundations of entrepreneurial behavior emphasize how individual (micro) and firm-level (meso) actions interact with the broader institutional framework (macro), collectively shaping the direction of entrepreneurial activities (Anand et al., 2023; Saebi et al., 2019). This interaction is crucial in determining whether these activities are productive, unproductive, or destructive. Accordingly, investigating the dark side of certain entrepreneurial activities with a focus on the multi-level interactions among individual entrepreneurs, firms, and institutional frameworks can offer valuable insights that potentially enrich the theory of entrepreneurial allocation.

2.2 Negative aspects pertaining to entrepreneurship

In this dissertation, I focus on three main negative aspects pertaining to independent, family, and corporate entrepreneurship across three distinct types of ownership: owner-manager ownership (independent entrepreneurship), family ownership (family entrepreneurship), and external investor ownership (corporate entrepreneurship). I investigate the interrelationships between different units of analysis within each ownership type, employing a multi-level approach to empirically uncover potential dark (negative) aspects of entrepreneurship. The research model depicted later visualizes these relationships. The following subsections provide an overview of the theoretical perspective for each ownership type and illustrate how a potential dark aspect may emerge within these ownership types. Each ownership type discussed corresponds to a paper compiled in this dissertation.

2.2.1 New venture scaling and employee well-being in owner-manager firms

The first research question in this dissertation emerges from the theoretical gaps identified in the literature concerning the negative aspects of independent entrepreneurship (i.e., in owner-manager firms). Specifically, it investigates the negative aspect of new venture scaling on the well-being of the employees—the followers of the entrepreneur or owner-manager. Hence, the cause of the negative aspect I study in this ownership type is new venture scaling.

While scaling is a widely known entrepreneurial activity in prior entrepreneurship studies, finding a commonly used definition for it is challenging. In a review conducted on the conceptual definitions of scaling, several things stood out. First, some articles are completely silent on their conceptualization of scaling, and it is difficult to implicitly infer exactly what they mean from reading them (e.g., DeSantola et al., 2022; Roundy & Lyons, 2022). Second, some equate scaling with organizational growth in general (e.g., Assenova, 2020; Dushnitsky & Stroube, 2021). Third, several articles define scaling in ways that differ from organizational growth in general, e.g., among studies on social enterprises, scaling often concerns the scaling of social impact rather than the scaling of organizations. Consequently,

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9 Paper 1 in this dissertation addresses this issue in detail.
there is little agreement across studies as to how scaling should be conceptualized. For example, some view scaling as replication (Chalmers et al., 2021; DeSantola & Gulati, 2017), others emphasize geographic expansion (Vansandt et al., 2009), expansion of the customer base (Fosfuri et al., 2016; GiustiZero et al., 2021; Wierenga, 2020), as a stage in the development process (Cavallo et al., 2019; Piaskowska et al., 2021), or as “spreading excellence within the organization as it grows” (Shepherd & Patzelt, 2022: 255).

Given that conceptual definitions of scaling vary across studies, it is no surprise that operationalizations do as well. We find that many operationalizations of scaling rely on quantitative measures of rapid growth. For example, some use specific growth rates as qualifying cut-offs to distinguish scale-ups from other growing firms (e.g., Aernoudt, 2017; Belitski et al., 2022; Greene & Rosiello, 2020; OECD, 2007). Other studies argue that new ventures growing more rapidly in revenue than in costs signifies scaling (Carucci, 2016; Monteiro, 2019). Reaching particular milestones, such as securing Series A funding (Cavallo et al., 2019; Piaskowska et al., 2021) or degrees of internationalization (Reuber et al., 2021; Taylor & Jack, 2013; Westerlund, 2020) are also recommended indicators of scaling.

Recognizing the various interpretations of scaling is important for exploring its potential dark sides, thus, leading to being classified as an unproductive and/or destructive entrepreneurial activity. While scaling is an essential entrepreneurial activity, it can have unintended dark sides, particularly affecting employees’ well-being. The job demands-control (JDC) theory in organizational psychology is used to explain how workplace characteristics can adversely affect employee well-being (Karasek, 1979). As the venture scales, the need to professionalize the business increases (DeSantola & Gulati, 2017). Specifically, scaling involves profound changes across organizational dimensions, such as redefining business models and reallocating assets and capabilities (Rao & Sutton, 2014; Reuber et al., 2021). These changes lead to increased job demands in terms of increasing the quantity and scope of work tasks and activities and alterations in the workplace environment (Chandler, 1990; DeSantola & Gulati, 2017). In fact, the current routines, personal skills, and problem-solving strategies become ineffective (Karasek, 1998; Theorell et al., 1990). Further, scaling also results in changes like the addition of management structures and adjustments to venture culture. Interestingly, Kets de Vries (1985) and Zahra and Wright (2016) highlight that entrepreneurs start their ventures at the first place due to their independent nature and reluctance to work under others’ direction. Further, Zahra and Wright (2016) also note that entrepreneurs can be difficult to work with, often being controlling and obsessed with following their own way. These traits, while beneficial in small ventures, seem to be a liability when the venture scales to be a larger organization (see du Toit, 1980). Moreover, Zahra and Wright (2016) have explicitly talked about the hazards of entrepreneurial workplace environments. They note that the relentless pace of change, long work hours, and high levels of stress, especially under a controlling entrepreneur, can significantly affect employee turnover.

Taken together, the entrepreneur’s strong motivation to control and difficulty in adapting to structured, collaborative environments can lead to negative effects on the workplace. Specifically, the relationship between scaling and employee well-
being highlights how scaling, typically seen as a positive development, can be a potentially destructive entrepreneurial activity in terms of its impact on employee well-being: burnout and job satisfaction. This aspect of scaling represents the potential negative effect pertaining to (dark side of) entrepreneurship within independent entrepreneurship, and therefore, the first research question is:

**RQ1**: How does scaling affect employees in terms of burnout and job satisfaction?

### 2.2.2 Family dynamics and offspring’ career opportunities in family-owned firms

The second research question in this dissertation arises from the theoretical gaps identified in the negative aspects of family entrepreneurship (i.e., in family-owned firms). It explores how the discrepancies in the upbringing environment, particularly influenced by the unequal distribution of parental resources based on birth order, can potentially result in unequal career opportunities for the offspring within the family’s owned firm. Thus, the cause of the negative aspect I study in this ownership type is related to family dynamics, specifically, the birth order of the offspring.

Early career opportunities of individuals received the attention of many scholars in different literature, such as organizations and entrepreneurship (e.g., Lyons & Zhang, 2018; Nanda & Sørensen, 2010; Rocha & Van Praag, 2020; Sørensen & Fassiotto, 2011; Sørensen & Sharkey, 2014), intergenerational entrepreneurship (e.g., Andersson & Hammarstedt, 2010; Dunn & Holtz-Eakin, 2000; Laspita et al., 2012; Lindquist et al., 2015; Sørensen, 2007), and family business literature (Dawson et al., 2015; Garcia et al., 2019; Lyons et al., 2023; Sharma et al., 2003; Zellweger et al., 2011). In this section, the theoretical perspective on the early career opportunities of offspring whose parent is an entrepreneur is framed in the birth order theory.

The birth order theory adopts an evolutionary theory perspective (see Campbell et al., 2019; Sulloway, 1996), suggests that offspring are exposed to a different upbringing environment, which in turn affects their personality, behaviors, and life choices differently (see, e.g., Bertoni & Brunello, 2016; Black et al., 2018; Campbell et al., 2019; Gilliam & Chatterjee, 2011). The theory posits that parental resources are allocated differently among the offspring (Sulloway, 1996).

Specifically, research has shown that parental investment and attention tend to vary depending on the birth order of offspring. For instance, parents spend more time with their earlier-born offspring (Monfardini & See, 2012; Price, 2008), especially in academic contexts where they might be struggling (Black et al., 2018). Further, parents tend to apply stricter rules for their earlier-born offspring to monitor their behavior and performance (Hotz & Pantano, 2015). This pattern of parental involvement suggests that investment and attention toward earlier-born children are more focused on developing key skills and personality traits that are commonly associated with entrepreneurs (Shane et al., 2003; Zhao & Seibert, 2006),
emphasizing the nurturing of essential developmental attributes in the earlier-borns (Black et al., 2018). 10

Accordingly, this perspective posits a crucial negative aspect of family entrepreneurship, especially in the early career opportunities of the offspring. While prior studies in intergenerational entrepreneurship (and also family business literature) suggest that the children of entrepreneurs (family owners) often have an advantage in pursuing entrepreneurial careers—whether independently as self-employment (e.g., Lindquist et al., 2015; Sørensen, 2007) or within the family firm (e.g., Gagné et al., 2021; Lyons et al., 2023), this advantage may not be equally given and distributed among siblings, depending on their birth order. In other words, the unequal distribution of parental resources among offspring may lead some to pursue self-employment (or family employment) while others are directed away from it.

Hence, the negative aspect of family entrepreneurship emerges here in the form of these unequal opportunities within the family of business owners. This could result in creating an environment where (family) entrepreneurship is not a matter of personal choice but rather a consequence of different family upbringing environments (i.e., nurture) by the parents. Interestingly, Lindquist et al. (2015), using the Swedish adoption dataset, showed that it is nurture, not nature, that explains entrepreneurship. However, this raises questions about the fairness and equal opportunities within entrepreneurial families (i.e., nurture) and the broader impact on the individual career development of each offspring. This aspect of family dynamics, proxied through the birth order, could also represent another potential negative aspect pertaining to entrepreneurship. Thus, the second research question is:

RQ2: How do family dynamics (upbringing environment) affect the joining and staying in the parent’s business?

2.2.3 Institutional investor innovation friendliness and the performance of publicly-owned firms

The third research question in this dissertation stems from the identified theoretical gaps concerning the negative aspects of corporate entrepreneurship (i.e., in the external investor ownership type). Particularly, it focuses on the negative aspect of corporate entrepreneurship by examining how external institutional investors’ innovation preferences may hamper or foster the performance of the portfolio firm. In fact, the theoretical gap from the literature centers around the potential negative aspects induced by external investors, notably institutional investors. Hence, the cause of the negative aspect studied in this external ownership type is related to the institutional investors’ innovation preferences, particularly those that are unfriendly towards innovation.

In general, innovation has been extensively studied in varied literature due to its association with firm profitability, growth, competitiveness, and survival (e.g., Aghion et al., 2005; Coad et al., 2016; Guarascio & Tamagni, 2019). While there are clear incentives why established organizations should pursue innovation (Moorman et al., 2012; Wies & Moorman, 2015; Wies et al., 2023), many firms still struggle to find the motivation and support needed to foster their innovation-level (Tian & Wang,

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10 Paper 2 discusses the birth order theory and its relation to career choices in more detail.
Beyond the bright side: Investigating dark aspects of independent entrepreneurship, family entrepreneurship, and corporate entrepreneurship

2014). This challenge is inherently linked to the dynamics between the corporate entrepreneurs (agents) and their external institutional investors (principals) as explained by agency theory (Jensen & Meckling, 1976). In fact, in corporate entrepreneurship, which involves innovation and strategic risk-taking within established companies (Zahra, 1996), agency theory becomes particularly relevant (Zahra & Wright, 2016). A core argument of agency theory is the notion of divergent interest between the agent (corporate entrepreneur) and the principal (external institutional investor) (Jensen & Meckling, 1976). These divergent interests stem from the different goals and incentives of the agents and principals (Jensen & Meckling, 1976).

On the one hand, external institutional investors (principals) who have ownership in publicly traded corporations are typically driven by the pursuit of profit maximization (Mizik, 2010). This inclination can lead them to exert pressure on the firm to prioritize strategies that yield immediate financial returns, even at the expense of long-term innovation (Wies et al., 2023). For instance, it is evident in the extant literature that the corporate entrepreneurs themselves comply with such pressures to meet short-term expectations by jeopardizing their innovation investments (e.g., Chakravarty & Grewal, 2011; Chakravarty & Grewal, 2016; Mizik & Jacobson, 2007; Moorman et al., 2012; Saboo et al., 2016).

On the other hand, corporate entrepreneurs (agents) may have their personal interests, which might not always align with maximizing shareholder value (Jensen, 1986), and yet are still contradicting with innovation. These interests could include securing their job by meeting the forecasted targeted earnings and avoiding risky decisions, pursuing higher compensation levels bonuses, and achieving favorable stock market reactions, all of which can detract from committing to the innovation (e.g., He & Tian, 2013). In fact, corporate entrepreneurs might not prioritize long-term strategies, such as innovation, especially if their personal incentives are not aligned with such goals (Graham et al., 2005; Mizik, 2010).

This divergence of interests, as explained by agency theory, can lead to a situation where corporate entrepreneurship, particularly innovation, is compromised or even hampered (Wies et al., 2023). Zahra and Wright (2016: 624) state “It [Agency theory] might explain why corporate entrepreneurs are sometimes reluctant to take risks or withhold support for innovation (Zahra, 1996).” In cases where the pressure from institutional investors for immediate financial returns outweighs long-term innovation pursuits, firms may enter into a cycle of unproductive or even destructive entrepreneurship. This leads to a potential negative effect (i.e., a dark side of entrepreneurship), driven by institutional investors who set an incentive structure where the payoffs are higher for rent-seeking activities. In other words, within the framework of the theory of entrepreneurial allocation, institutional investors are key players in setting the “rules of the game” for corporate entrepreneurship, particularly in terms of innovation. This impact of institutional investors is significant in shifting entrepreneurial activities towards unproductive or destructive paths. Importantly, institutional investors vary in their tolerance for risk and innovation (Tian & Wang,

11 In this section, I indicate the corporate entrepreneur as the agent, while the external (institutional) investor as the principal.
Hence, I argue that it is essential to treat institutional investors as a heterogeneous group, an important assumption about institutions that, to my knowledge, is underemphasized in the theory of entrepreneurial allocation. This heterogeneity among investors can lead to varying influences on entrepreneurial activities, with some investors incentivizing productive corporate entrepreneurship while others may inadvertently encourage unproductive or destructive corporate entrepreneurship. Understanding this heterogeneity in institutional investors is essential for a comprehensive understanding of the dynamics within corporate entrepreneurship. Accordingly, the third research question is divided into the following two subquestions:

**RQ3:** (3.1) how do investors differ in their innovation preferences? (3.2) How do investors with different innovation preferences influence the firm performance?

### 2.3 Research Model

The research model, depicted in panel A in Figure 1, aligns with the overarching research aim of this study. As discussed in section 1.2, this dissertation aims to study some negative (dark) aspects of entrepreneurship in three distinct ownership types: owner-manager ownership (independent entrepreneurship), family ownership (family entrepreneurship), and external investor ownership (corporate entrepreneurship). Panel A in Figure 1 shows two main overarching relationships of interest that are examined in the three papers: (1) the relationship between the studied negative aspects pertaining to entrepreneurship and the negative outcomes (horizontal arrows), and (2) the relative conditions or strategies that can mitigate the negative outcomes generated (vertical arrows). Each of these negative outcomes is empirically investigated across the three papers within this dissertation.

Paper 1 examines the impact of new venture scaling as a potential negative effect pertaining to entrepreneurship on employees’ well-being. It focuses on the owner-manager ownership type (independent entrepreneurship). In paper 1, employees with managerial roles and those with prior new venture experience are two groups of employees who are less likely to experience the negative consequences of scaling. Paper 2 investigates how entrepreneurs raise their offspring differently, leading to unequal career opportunities among their offspring. In other words, it focuses on how the differences in the upbringing environment (family dynamics) of entrepreneurial families influence their offspring’s career opportunities and choices, depending on their birth order. This paper focuses on family-owned businesses (family entrepreneurship). While paper 2 does not offer a direct empirically tested solution for the unequal career opportunities among offspring of entrepreneurial families, it introduces a significant boundary condition: a challenging family firm performance. This boundary condition highlights how such challenges influence the offspring’s career opportunities. Lastly, paper 3 explores how various segments of external institutional investors, especially those with low or no innovation preferences, impact their portfolio firm performance and innovation. It focuses on external institutional investor ownership in the context of corporate entrepreneurship. In paper 3, I show how firms strategically position themselves to attract certain institutional investors who support their innovation goals, thus successfully...
mitigating the negative impacts often imposed by investor pressures against innovation.

Panel B in Figure 1 portrays a microfoundation perspective by depicting the interactions between different levels of analysis within each paper. To illustrate, paper 1 examines the impact of new venture scaling (venture-level focal independent variable) on employees’ well-being (individual-level focal dependent variable). This paper shows a meso-micro interactions. Paper 2 examines how family dynamics (family-level focal independent variable) of entrepreneurial families influence their offspring’s career opportunities and choices (individual-level focal dependent variable). This paper shows a meso-micro interactions. 

Meanwhile, paper 3 examines how various segments of external institutional investors (investor-level focal independent variable) impact their portfolio firm performance and innovation (firm-level focal dependent variables). This paper shows macro-meso interactions.  

12 The meso-level aspect in this paper refers to the source of the effect, which is the family dynamics. However, the operationalization of this effect, which is the birth order is on the individual level.

13 The macro-level aspect in this paper refers to the source of the effect, which is the external institutional investors. However, the operationalization of this effect is on the firm level.
Figure 1 Research model
Figure 1 Panel A. A general research model

Figure 1 Panel B. A microfoundations perspective of the dissertation’s general research model
3 Summary of appended papers

3.1 Paper 1: Growing pains in scale-ups: How scaling affects new venture employee burnout and job satisfaction

The paper investigates a less explored aspect of entrepreneurship: the impact of new venture scaling on the well-being of employees. Moving beyond the common focus on the antecedents and processes of scaling, this study takes an employee perspective and examines how scaling can influence employee burnout and job satisfaction. Using data from 10,908 employees in new Swedish ventures, the research finds a positive association between scaling and employee burnout, along with a negative association with job satisfaction. This emphasizes that scaling, often associated with a positive view, can also bring challenges to employee well-being. The paper differentiates between scaling and general growth, emphasizing that it is the distinctive characteristics of scaling that affect employees. Two boundary conditions were studied. Specifically, the paper shows that employees with managerial roles tend to experience less burnout and more job satisfaction during scaling, likely due to their greater control over the work environment. The study also shows that having prior experience in new ventures can mitigate some negative impacts of scaling on job satisfaction. The study offers several contributions to the literature. It provides insights into the scaling process from an employee perspective, suggesting the importance of effective HRM practices in scaling ventures, particularly for those new to the new venture (workplace) environment. It focuses on the consequences of scaling, particularly on employee well-being, challenging the assumption that scaling is universally beneficial. It also provides a unique conceptualization and operationalization of scaling, defining it as a positive and substantial deviation from a venture’s previous growth trajectory, broadening the understanding of scaling. Lastly, the paper offers significant contributions to entrepreneurs running new ventures with scaling ambitions and policymakers.

3.2 Paper 2: Navigating career choices in parent-owned businesses: The impact of offspring birth order on joining and leaving the parent’s business

This paper investigates the career opportunities of business owners’ offspring, specifically examining the joining and staying career choices in the parent’s business. The study draws on the birth order theory to understand these career choices. The research hypothesizes and confirms that later-born offspring tend to join the parent’s business. Meanwhile, the findings show that later-born offspring, after joining the family business, are more inclined to leave unless the parent’s business is underperforming. Interestingly, in a post-hoc analysis, we find that earlier-borns follow their parent’s careers and start their own venture. This insight is in line with
intergenerational entrepreneurship, which advocates that entrepreneurial parents act as role models for their children. This study contributes to the family business literature and intergenerational entrepreneurship by highlighting a previously understudied factor: the heterogeneity among offspring based on their birth order. It contributes to the family business literature by examining the diverse dynamics within families, specifically the birth order of offspring, and how these psychological differences affect their early career opportunities. This insight is pivotal for understanding next-generation involvement in family succession planning. Regarding birth order theory, the paper addresses the gap in empirical testing of relevant boundary conditions, introducing the offspring’s behavior in challenging environments (i.e., underperforming parent’s business) as a crucial factor. It also shows the importance of considering the entrepreneurial background of parents in shaping the effects of birth order on career choices. Lastly, the study offers practical implications for entrepreneurial parents. It shows that their allocation of resources, which shapes their offspring’s personalities, suggests that family entrepreneurship and independent entrepreneurship (given the post-hoc analysis) might stem from family upbringing rather than personal choice. This raises questions about equal opportunities and impacts the individual career development of offspring, revealing a potentially negative aspect pertaining to family entrepreneurship tied to birth order.

3.3 Paper 3: The effectiveness of investor innovation friendliness

Building on the agency theory, prior research assumed that institutional investors impose pressures on firms not to innovate, favoring higher short-term returns. Instead, I argue that this perspective, which views institutional investors as a homogenous group regarding their innovation preferences, overlooks the possible variations within these institutional investors. In response, the paper segments institutional investors according to their innovation preferences detected from their trading behavior and then examines the impact of the different investors’ innovation preferences on the performance of publicly traded firms. The study follows an empirics-first (EF) approach to answer two exploratory questions: (1) How do investors differ in their innovation preferences? (2) And how do investors with different innovation preferences influence the firm performance? Using different innovation indicators of the portfolio companies of these institutional investors, I found three distinct segments: innovation-friendly, innovation-unfriendly, and innovation-investment-oriented. The findings reveal that firms predominantly owned by innovation-friendly investors experience an increase in firm value and innovation productivity, while those dominated by innovation-unfriendly or innovation-investment-oriented investors see a decline in these areas. This research introduces the novel concept of segmenting investors based on their innovation preferences, demonstrating the positive impact of certain investor segments on innovation and firm value. It contributes to the investor-firm fit literature by suggesting that the congruence between a firm’s management goals and its investors’ goals can mitigate agency problems. The study also expands the marketing-finance interface literature by advocating for customized communication strategies that align with the diverse
innovation preferences among investors, suggesting a shift from generic investor communication to a more targeted approach. Overall, the paper provides a new perspective on investor influence on publicly traded firms, emphasizing the importance of understanding investor heterogeneity in shaping firm innovation strategies and communication approaches.

4 Method

In this section, I reflect on my philosophical stand in this dissertation. Then, I discuss the research design of the dissertation’s empirical papers.

4.1 Philosophical stand

In this dissertation, the philosophical stand primarily aligns with positivist ontology. As outlined by Saunders et al. (2009) positivist ontology generally refers to the belief that reality is objectively given and can be described by measurable properties which are independent of the researcher. This approach is well-suited for the research conducted in the empirical papers of this dissertation, as they focus on existing phenomena that can be directly observed and quantitatively measured (Payne & Payne, 2004). The reliance on archival data, such as financial, ownership, or investment information, allows for an objective analysis of the social world. This methodological choice aligns with the positivist tradition of seeking explanations and, in some cases, predictions, through facts and empirical evidence. Additionally, as a research, I remained distant from the studied phenomenon, which eliminates any potential bias from the outcomes (Guba, 1990).14 Specifically, I am independent of my research participants (i.e., firms, employees, or investors who have undergone my research); thus, I assume that the studies are external and objective.

Papers 1 and 2 follow a deductive approach because of their large and representative samples, valid measurements, and structured econometric models used in the estimation techniques (i.e., quantitative analysis). This quantitative analysis begins with an existing theory (e.g., Job-demands-and-control, birth order) from which hypotheses are formulated and tested against the previously collected data. The core idea in these papers is to either support or reject the formulated hypotheses based on empirical evidence, which is a core process of the positivist approach.

Meanwhile, in paper 3, an abductive approach is adopted. This paper does not start with an existing theoretical framework for segmenting institutional investors based on their innovation friendliness (preferences). While the segmentation process in paper 3 is data-driven, the innovation dimensions (or criteria) for segmenting the

14 The potential for researcher bias is minimized in the three studies because of the use of archival data only. This includes the first paper, where although survey data was used, the researcher was not a part of the data collection or questionnaire design, hence reducing subjective influence. However, it is important to recognize that in empirical research, estimation biases can still occur. These biases typically reflected in the error terms of the econometrics models employed to analyze the relationships of interest across the papers. Such biases arise from the assumptions of the estimation techniques used (further details on this point is discussed in the method sections across the papers), emphasizing the need for careful interpretation of the results.
institutional investors are theory-driven and rooted in rigorous conceptualization. This approach incorporates a comprehensive understanding of innovation drawn from a broad spectrum of literature (e.g., Aggarwal & Hsu, 2014; Barrot, 2017; Belenzon & Berkovitz, 2010; Bernstein, 2015; Hall et al., 2001; Hall et al., 2005). The paper follows a question-based approach (see, e.g., Berry et al., 2021; Krakowski et al., 2022), focusing on exploration-minded research questions (see Golder et al., 2022). Unlike the deductive nature of the first two papers, paper 3 starts with analyzing the previously collected data to segment the institutional investors, followed by a deeper exploration and further navigation through the data to examine the impact of these institutional investors’ segments. The focus here is not on validating pre-set hypotheses but rather on deriving new insights from data, in line with abductive reasoning.

### 4.2 Research design of the empirical papers

Table 2 provides a brief overview of the research design of the three empirical papers of this dissertation. Specifically, it shows the data sources and type, sample size, and other empirical details of each paper. The first two papers are based on Swedish data. However, the third paper is based on global corporate firms listed in the U.S. stock market.

**Table 2 The research design of the empirical papers**

<table>
<thead>
<tr>
<th>Paper 1</th>
<th>Paper 2</th>
<th>Paper 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Data sources</td>
<td>SCB: SWES + LISA + LSUM + RAMS</td>
<td>SCB: FlerGen + LISA + LSUM + RAMS</td>
</tr>
<tr>
<td>Data type</td>
<td>(1) repeated cross-sectional multi-level: employee-employer; (2) panel: firm-year</td>
<td>Panel: individual-year</td>
</tr>
<tr>
<td>Time horizon</td>
<td>2005 to 2017 (7 biannual survey waves)</td>
<td>1993 to 2017</td>
</tr>
<tr>
<td>Sample</td>
<td>10,908 employees – 6,324 new venture firms</td>
<td>205,247 offspring in the main sample</td>
</tr>
<tr>
<td>Unit of analysis</td>
<td>Employee</td>
<td>Offspring</td>
</tr>
<tr>
<td>Focal dependent variable/s</td>
<td>Well-being: burnout and Job satisfaction</td>
<td>Varied career choices</td>
</tr>
<tr>
<td>Focal independent variable/s</td>
<td>Scaling</td>
<td>Birth order</td>
</tr>
<tr>
<td>Boundary condition/s</td>
<td>Moderators: manager and prior new venture experience</td>
<td>Moderator: firm performance below aspirations</td>
</tr>
<tr>
<td>Estimation technique</td>
<td>GMM, OLS</td>
<td>Survival analysis: CRM, PH</td>
</tr>
</tbody>
</table>

4.2.1 Data descriptions

I use data from multiple sources in each empirical study in this dissertation. As shown in Table 2, papers 1 and 2 include data sources obtained from Statistics Sweden, the official census bureau. These sources collectively offer an extensive view of the Swedish labor market, providing unique insights into the employee-employer dynamics and family connections.

First, the Swedish Work Environment Survey (SWES) is a survey data. The survey is designed and collected by the Swedish Work Environment Authority in collaboration with Statistics Sweden (SCB). The survey focuses on questions related to the workplace environment of respondents. The SWES sample is drawn from the Swedish labor force data, which is Sweden’s entire labor market. Second, Longitudinell integrationsdatabas för sjukförsäkrings- och arbetsmarknadsstudier (LISA) provides annual data on all Swedish residents aged 15 and above. It covers a wide range of information, such as the resident’s gender, birth year, education, occupations, income, sources of income, and family members. LISA’s data covers the years from 1990 to 2017. However, not all information has the exact years covered. Third, Flergenerationsregistret (FlerGen), a multi-generation registrant data that links individuals to their biological parents, siblings, offspring, and partners. The data in FlerGen are matchable LISA and other individual-level datasets. Fourth, Kontrolluppgiftsbaserad lönesummestatistik (LSUM) covers more detailed annual information on individual income and sources of these incomes from 1990 to 2017. LSUM shows the legal ownership of all Swedish inhabitants of firms registered in Sweden. It also identifies entrepreneurs and their links to firms registered in Sweden. Fifth, the Registerbaserad arbetsmarknadsstatistik (RAMS) includes annual data on all registered firms in Sweden. It offers essential information on firm performance, financial status, and core characteristics like establishment year, location, and number of employees. It covers the years from 1995 to 2017. However, similar to LISA, not all information in RAMS starts from the same year.

In paper 3, the focus shifts to global corporate firms listed on the U.S. stock market. The data sources are different from the first two papers. First, the Global Corporate Patent Dataset (GCPD), provided by the Darden School of Business. It compiles data from the U.S. Patent and Trademark Office database (USPTO) and Google patents to offer comprehensive patent data from 1980 to 2020 (see Bena et al., 2017). The dataset includes detailed patent-level information, such as the patent filing date and grant dates, technological classes, and citations count. Second, the financial data sourced from the Compustat North America database, accessed through Wharton Research Databases Services (WRDS). Compustat provides comprehensive quarterly financial information for all companies listed in the U.S. stock market, covering the period from 1980 to 2020. Third, the Center for Research in Security Prices (CRSP), also available via WRDS, includes monthly stock market data for publicly traded firms. CRSP is useful in determining the first trading date of these firms and providing essential stock-related information, such as stock returns. Lastly, the 13F filing data is quarterly reports filed by institutional investors with the U.S. Securities

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15 For further details, refer to the method section in paper 1.
and Exchange Commission (SEC). These filings show the investment activities of these institutional investors, including the equity holdings (ownership) in their portfolios. The 13F data provides insights into the investment strategies and preferences, including detailed lists of shareholdings in various companies. It is accessible through WRDS and includes data dating back to 1980.

4.2.2 Samples and level of analysis

As shown in Table 2, the samples for each paper in this dissertation are distinct and chosen to suit the respective paper research question and objective. The following provides a brief overview of the samples and their level of analysis for each paper.

**Paper 1.** The sample includes employees at new ventures who participated in one survey wave of the SWES survey. In this paper, a “new venture” is identified as a privately owned business that is no more than 10 years old at the time of participation in SWES, excluding ventures with five employees or fewer. A unique dataset is constructed by merging SWES data with LISA, LSUM, and RAMS using unique identifiers. This merge results in having the multi-level data used later in the analysis. This sample includes 10,908 employees working at 6,324 new ventures.

**Paper 2.** The study’s sample includes Swedish inhabitants who have at least one sibling from the same parents, given that at least one parent has ownership in one limited liability corporation (LLC). To maintain the focus on the birth order effect, individuals without siblings or have a twin are excluded. Also, individuals who have at least one half-sibling is excluded due to the complexity of their upbringing environments. Hence, I first used FlerGen data to define the parents and siblings of each individual, using FlerGen_BioForaldrar (biological parents view) and FlerGen_Syskon (siblings view). Then, I detected the step-siblings using the FlerGen_Syskon (siblings view) and FlerGen_Barn (offspring view). All of these sub-views were matched using unique individual identifiers. The sample is constructed using the created FlerGen sample, merged with LISA and LSUM using the unique individual identifiers and RAMS using the firm identifiers. This results in a dataset comprising 205,247 offspring representing 1,105,437 offspring-year observations from 1993 to 2017 estimating the joining career choice, and 38,244 offspring representing 175,932 offspring-year estimating the leaving career choice.

**Paper 3.** The sample in this paper includes corporate firms listed in the U.S. stock market that engaged in patenting activities recorded in any global patent office between 1980 and 2020. The GCPD, Compustat North America, and 13F filing data are merged using firm-specific identifiers (i.e., CUSIP and GVKEY) to create a unique firm-level dataset. The dataset includes 6,438 firms with a total of 288,306 firm-quarter observations over the period of 1980 to 2020.

Appropriate levels of analysis have been employed in each paper to address their respective research questions effectively. Paper 1 is based on a multi-level approach, focusing on both the firm and individual levels. Meanwhile, paper 2 adopts an analysis that considers the interaction between offspring and their family or firm environment. Lastly, paper 3 focuses on the firm and institutional investor levels.
4.2.3 Analytical techniques

As shown in Table 2, each paper in this dissertation has its distinct analytical technique. Below is an overview of analytical techniques for each paper.

Paper 1. As mentioned, the data structure of paper 1 is multi-level since the main focus is to examine the effect of new venture scaling (a firm level variable) on the employee well-being (an individual level variable). To account for this the multi-level data structure, we adopt the following ordinary least squares (OLS) regression with robust standard errors clustered at the venture level.

\[ \text{Well-being}_i = \beta_0 + \beta_1 \text{SCALING}_i + \beta_2 \text{Control Variables}_i + \gamma \text{SNI}_i + \tau \text{YR}_i + \epsilon_i, \]

where \( i = 1, \ldots, I \) indicates individuals, \( j = 1, \ldots, J \) indicates SNI industries, and \( t = 1, \ldots, T \) corresponds to survey wave year. The error term \( \epsilon_i \) accounts for variations at the venture level. In addition to the OLS estimator, a mixed-effect multilevel estimator is also employed for clustering coefficients (e.g., \( \beta_1 \)) rather than merely the standard standard errors. The results were identical to the obtained ones form the OLS estimator.

The operationalization of the scaling variable requires a specific estimation technique. Using the firm-level panel data of the study’s sample, we apply a generalized method of moments (GMM) model, a dynamic panel data model (Arellano & Bond, 1991; Roodman, 2009) to address this.16

Additionally, to explore the mechanism of the scaling-well-being relationship within the job demands-control (JDC) framework (Karasek et al., 1981), we fit a system of equations using a seemingly unrelated regressions (SUR) estimator. This allows us to test the pathway from scaling to job demands and job satisfaction (or burnout). As an example, the SUR system used to estimate the job satisfaction is estimated as follows:

\[ \text{Job demands}_i = \beta_{10} + \beta_{11} \text{Scaling}_i + \pi_{11} \text{YR}_i + \alpha_1 \text{IND}_i + \varepsilon_{1i} \]

\[ \text{Job satisfaction}_i = \beta_{20} + \beta_{21} \text{Job demands}_i + \pi_{21} \text{YR}_i + \alpha_2 \text{IND}_i + \varepsilon_{2i} \]

Here Equation (2.1) represents the first path, i.e., the relationship between scaling and job demands relationship, while Equation (2.2) represents the second path, i.e., the relationship between job demands and job satisfaction.

Paper 2. In this paper, we rely on survival analysis estimators to examine the career choices of offspring with entrepreneurial parents. Survival analysis is a statistical method typically used to predict the occurrence and timing of specific events (Cleves et al., 2016). In this paper, we are particularly interested in family employment as a career choice, competing with self-employment and wage employment. To capture the dynamics of these multiple career choices, we fit a competing risk model (CR), which predicts subhazard ratios for family employment against other competing choices: self-employment and wage employment. The CR model provides the instantaneous probability of a particular career choice (i.e., family employment) at time \( t \), given no choice occurred to the other career choices (i.e., self-

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16 For details, see Appendix B in paper 1.
employment and wage employment) before time \( t \) (Cleves et al., 2016; Fine & Gray, 1999). The equation for this CR is as follows:

\[
\text{Equation 3} \quad \tilde{h}_i(t|X_j) = \tilde{h}_i,0(t) \exp(X_j\beta_x),
\]

where \( \tilde{h}_i \) is the subhazard ratio for time \( t \) given the covariates \( X_j \), which includes birth order (the main independent variable) and the control variables for offspring \( j \), and \( \tilde{h}_i,0(t) \) represents the baseline subhazard function.

Any survival analysis model requires defining the survival settings (Cleves et al., 2016). Following the extant literature (see Sørensen, 2007), we define the start time for risk of making an early career choice as the completion of compulsory education under Swedish laws (grade 9). This is the point at which offspring are considered part of the Swedish labor force.

Additionally, the paper also examines the likelihood of leaving family employment. While the early career choice involves three competing options, this aspect of the analysis involves only the decision to leave or stay in family employment. For this purpose, a proportional hazard (PH) model was adopted to estimate such a career choice:

\[
\text{Equation 4} \quad h(t|X_j) = h_0(t) \exp(X_j\beta_x),
\]

where \( h \) is the hazard ratio for time \( t \) given the covariates \( X_j \), which includes birth order (the main independent variable) and the control variables for offspring \( j \), and \( h_0(t) \) represents the baseline hazard function. In the survival settings of the PH model, the risk period for leaving family employment begins from the year an offspring starts working in the family business.

**Paper 3.** In this paper, the primary focus for the estimation techniques is to examine the impact of institutional investor segments on firm performance and innovation. Specifically, I aim to investigate how a firm’s predominant ownership by a certain investor segment (e.g., innovation-friendly, innovation-unfriendly) affects its value and innovation productivity. To address this research question, a two-stage model is employed. It is essential, in the first stage, to account for the possibility that certain types of firms might be more attractive to specific investor segments.

Accordingly, a logit fixed effect model is used.

\[
\text{Equation 5} \quad P(DV = 1 | X_{it-1}^\prime) = a_0 + a_1\text{ patents}_{it-1} + a_2\text{ R&D}_{it-1} + a_3\text{ technological search depth}_{it-1} + \beta X_{it-1} + \gamma YR_{it} + u_i + e_{it},
\]

Where \( i = 1, \ldots, I \) indicates firms, \( t = 1, \ldots, T \) indicates quarter time, and \( P(DV = 1 | X_{it-1}^\prime) \) is the logit transformation of the probability that the firm \( i \) is predominantly owned by innovation-friendly investors at time \( t \). The estimation in this stage aims to tackle the issue of specification bias, which is discussed in detail by Caliendo and Kopeinig (2008). The result from this model is the propensity score, or the conditional probability, of a firm being dominated by innovation-friendly investors, which is then used to reweight the second-stage model (for a detailed discussion, see Caliendo & Kopeinig, 2008; Nichols, 2007). Hence, the second stage reweighted fixed effect panel regression model is:
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Equation 6  \[ DV_{it} = \beta_0 + \beta_1 \text{Innovation-friendly}_{it-1} + \beta_2 \text{Innovation-unfriendly}_{it-1} + \beta_3 \text{Innovation-investment-oriented}_{it-1} + \pi Q_{it-1} + \tau YR_t \times \text{SIC2}_t + \alpha_i + \epsilon_{it} \]

where \( i = 1, \ldots, I \) indicates firms, and \( t = 1, \ldots, T \) indicates quarters, \( \tau \) captures the industry trend effect, and \( \alpha_i \) captures the firm effect to account for unobserved firm-level heterogeneity. The dependent variables \( DV_{it} \) represent the firm’s value (Tobins’ Q) and innovation outcomes (i.e., patents, forward citations, and innovation originality of the granted patents). The error term \( \epsilon_{it} \) is robust and clustered at the firm level to address potential heteroskedasticity issues.

Additionally, a difference-in-difference (DiD) approach is employed to further examine the dynamic impact of a firm being predominantly owned by innovation-friendly versus innovation-unfriendly investors on its performance. This approach uses a binary treatment variable, where the value is set to 1 for firms initially dominated by innovation-friendly investors and 0 for those dominated by innovation-unfriendly investors. The treatment effect is analyzed over multiple periods, both before and after the initial ownership change, to investigate the dynamic effect of this ownership shift. This is done by incorporating a series of year dummies representing each quarter around the first dominancy time of either investor type, covering a span of 20 quarters (5 years). The equation of the DiD is as follows:

Equation 7  \[ \Delta \text{Firm value}_{it} = \gamma_0 + \gamma_1 \text{Treatment}_i + \gamma_2 \text{PostTreatment}_i + \gamma_3 \text{Treatment}_i \times \text{PostTreatment}_i + \delta \text{ControlVariables}_i + \epsilon_{it} \]

where \( \Delta \text{Firm value}_{it} \) represents the difference in firm value for firm \( i \) in quarter \( t \), while \( \gamma_3 \) is the average treatment on the treated (ATET) for firm \( i \) in quarter \( t \). This model aims to capture the causal effect of investor dominancy on firm value, accounting for both the treatment status and the timing of the treatment while controlling for other influencing factors.

5 Conclusion

The conclusion chapter of this dissertation begins with an overview of the theoretical contributions to entrepreneurship literature and the theory of entrepreneurial allocation. It then discusses practical implications, specifically related to the Sustainable Development Goals (SDGs), followed by a discussion on the dissertation’s limitations and suggestions for future research. The chapter concludes with reflections on the research ethics involved in this dissertation.

5.1 Theoretical contributions

This dissertation offers several contributions to the field of entrepreneurship. First, it challenges our current understanding of (social) costs of entrepreneurship by investigating some negative aspects pertaining to entrepreneurship (Anand et al., 2023; Kets de Vries, 1985; Qin et al., 2022; Shepherd, 2019). This exploration critically assesses the “cost” aspects inherent in entrepreneurial activities, therefore
questioning and expanding the conventional notions of net value typically associated with entrepreneurship as highlighted in prior seminal work (e.g., Davidsson, 2016; Elert & Stenkula, 2022; McMullen & Warnick, 2016; Wright & Zahra, 2011; Zahra & Wright, 2016). For instance, paper 1 shows that scaling, while it is usually viewed positively because of the known benefits offered to many stakeholders expressed in sales revenues, employment, and financial returns (e.g., Coviello, 2019; Palmié et al., 2023), has potentially negative effects on employees. Specifically, we find that scaling, defined as a positive and substantial deviation from a venture’s previous growth trajectory, is positively associated with employee burnout and negatively with employee job satisfaction. This paper illuminates the often-overlooked “costs” associated with scaling. Thus, this paper shows that scaling, while having its clear positive added value, still comes at a certain cost (i.e., employee well-being). Further, paper 2 explores another understudied yet important negative aspect of entrepreneurship: the impact of family dynamics (the upbringing environment) of entrepreneurial families on offspring career choices. While prior studies in intergenerational entrepreneurialism and family business literature suggest that the children of entrepreneurs (family-business owners) often have an advantage in pursuing entrepreneurial careers—whether independently as self-employment (e.g., Lindquist et al., 2015; Sørensen, 2007) or within the family firm (e.g., Gagné et al., 2021; Lyons et al., 2023), this paper shows that this advantage may not be equally given and distributed among siblings, depending on their birth order (for details on birth order and family dynamics, see Sulloway, 1996). We show a significant variation in the likelihood of siblings pursuing their early career opportunities. Specifically, we find that later-borns often join the parent’s business, while earlier-born offspring are more inclined towards independent entrepreneurship. Such variations, arising from the differential allocation of parental resources and attention (see, e.g., Black et al., 2018; Sulloway, 1996), lead to unequal entrepreneurial career opportunities among siblings. Altogether, this paper highlights the dual nature of family dynamics—both as a positive force in fostering entrepreneurship and as a source of “costs” in terms of creating unequal entrepreneurial career opportunities among siblings. Similarly, paper 3 provides other negative aspects pertaining to entrepreneurship, specifically to corporate entrepreneurship. This paper addresses the issue that the extant literature assumes institutional investors as a homogenous group with the same innovation preferences. Thus, I segment these investors to identify their different groups with different innovation preferences. Institutional investors with low or no innovation preferences, i.e., “innovation-unfriendly” investors, negatively affect multiple dimensions of innovation outputs and long-term firm value of their portfolio firms compared to “innovation-friendly” investors. Building on the findings and incorporating the extant literature on the behaviors of institutional investors (e.g., Almazan et al., 2005; Chen et al., 2007), these innovation-unfriendly institutional investors might tend to prioritize low-cost investment strategies (Chen et al., 2007), passively monitoring on the corporate entrepreneur’s behavior (Almazan et al., 2005), and potentially imposing pressures on the corporate entrepreneurial activities (Bickley et al., 1988). Thus, they are more concerned about maximizing their returns (rent-seekers) and possibly prioritize short-term financial gains at the expense of long-term gains from innovation projects. Accordingly, paper 3 expands our
understanding of negative aspects pertaining to corporate entrepreneurship. These innovation-unfriendly institutional investors can steer corporate entrepreneurship towards an unproductive or even destructive pathway from a productive one that involves corporate entrepreneurship, such as innovation. This introduces a nuanced perspective into the discussion of the net value of entrepreneurship, highlighting the potential “costs” and adverse impacts associated with certain types of institutional ownership. Relatedly, this paper also emphasizes the need to critically assess the net value added by different investor groups, especially regarding their impact on corporate innovation strategies.

Taken together, this perspective, on the costs of entrepreneurship, enriches the entrepreneurship literature by providing a more comprehensive and balanced view of entrepreneurial activities, extending beyond the typically positive focus. It emphasizes the importance of considering both the positive and negative outcomes of entrepreneurship, thus offering a more holistic understanding of its impact on society and the economy.

The second contribution of this dissertation centers around mitigating the studied negative aspects pertaining to entrepreneurship. In response to calls from different studies on the dark side of entrepreneurship or related fields (e.g., Anand et al., 2023; Qin et al., 2022; Shepherd, 2019; Wright & Zahra, 2011; Zahra & Wright, 2016), this dissertation not only identifies negative aspects of entrepreneurship but also proposes ways to mitigate these negative aspects. For instance, paper 1 identifies employees with managerial roles and prior new venture experience as two groups of employees who are less likely to experience the negative consequences of scaling. Paper 2 identifies a challenging family business environment situation—family firm performance below social aspiration—that influences the retention of offspring in the family business. Meanwhile, paper 3 proposes an alternative solution (other than a boundary condition) to avoid exposure to such negative aspects. Specifically, paper 3 reveals that firms can strategically position themselves to attract investor segments aligned with their innovation goals, a process referred to as “innovation imprinting” (see Wies et al., 2023). This proactive positioning can help firms “avoid” the negative effects of investor pressure against innovation resulting from profit maximization pressures. Altogether, these insights from the papers of this dissertation contribute significantly to the entrepreneurship literature by providing practical strategies and conditions for mitigating the potential negative aspects pertaining to entrepreneurship.

The third contribution of this dissertation is related to the theory of entrepreneurial allocation (Baumol, 1996). The extant theory, which focuses exclusively on the role of institutional frameworks like governments in guiding entrepreneurial efforts toward productive, unproductive, or destructive paths (e.g., Aeini et al., 2019; Douhan & Henrekson, 2010; Elert & Stenkula, 2022; McCaffrey, 2018; Minniti, 2016; Trubnikov, 2021), is expanded in this dissertation by incorporating novel frameworks that go beyond traditional institutional actors. In specific, the dissertation argues for recognizing new actors who can also determine the reward structures (i.e., relative payoffs) related to the allocation of entrepreneurial efforts toward productive, unproductive, or destructive activities. For instance, paper 1 demonstrates how (entrepreneurs of) new ventures themselves can act as influential
frameworks in shaping entrepreneurial pathways, particularly in decisions related to excessive scaling up. Similarly, paper 2 reveals how the dynamics within entrepreneurial families and the entrepreneurs themselves can foster an entrepreneurial spirit in certain offspring, thus constituting another critical framework.

Further, This dissertation introduces a pivotal refinement to the Baumolean perspective: a “bidirectional” interaction between institutions and entrepreneurs/firms. This notion, while not explicitly addressed in Baumol’s original framework, is criticized for being absent by the extant studies (Elert & Stenkula, 2022; McCaffrey, 2018). Unlike the traditional unidirectional view implicitly assumed by Baumol (1996), where institutions solely shape entrepreneurial paths, paper 3 in this dissertation shows that firms can also adopt certain strategies and actions that influence institutional investors’ decisions. This finding not only challenges the notion of corporate entrepreneurs and firms as merely passive responders to institutional frameworks but also positions them as proactive agents capable of shaping their entrepreneurial environment. The implications of this bidirectional relationship are important to understanding the more integrated and interactive entrepreneurial ecosystems, where the actions of firms can significantly alter institutional behaviors.

5.2 Practical contributions

Entrepreneurship is often perceived as a key contributor to achieving SDGs and offering solutions to global challenges (e.g., Wennekers & Thurik, 1999). This dissertation, however, takes a different perspective by exploring the reverse effect—the potential negative aspects pertaining to entrepreneurship on achieving these sustainability goals. It is crucial to acknowledge that while entrepreneurship can significantly contribute to economic and social objectives (e.g., societal well-being, innovation, and other various SDGs), it can also, in some cases, hinder progress towards these global aims (Anand et al., 2023; Shepherd, 2019). The perspective adopted in this dissertation should enrich the understanding of the role of entrepreneurship in “sustainable” development. Hence, each paper in this dissertation aligns with specific Sustainable Development Goals (SDGs), collectively offering contributions to the advancement of these goals. Additionally, this dissertation offers several other important practical implications for policymakers, entrepreneurs, and other stakeholders, which are discussed next.

First, paper 1 emphasizes a critical contradiction between policies advocating for scaling up businesses and rapid growth and those aimed at promoting employee well-being (SDG 3) and a decent work environment (SDG 8) (OECD, 2021, 2022b). While scaling is often encouraged for its economic benefits, such as job creation and growth (OECD, 2022b), it can also lead to increased employee burnout and reduced job satisfaction, as shown in paper 1. This highlights the need for a more balanced approach and policies that consider both the economic and human aspects of scaling (OECD, 2022a, 2022b). This notion aligns with Wright and Zahra (2011) and Zahra and Wright (2016) emphasizes the need for public policymakers to recognize and address the potential tensions between the extant policies promoting work-life
balance on the one hand and entrepreneurship on the other hand. This notion also leaves practical implications for entrepreneurship education and training programs by offering a more realistic view of entrepreneurship, away from being “romanticized.” This is also helpful to prospective entrepreneurs, who recognize that entrepreneurship might not be suitable for them without undermining the importance of sustaining an entrepreneurial culture (Wright & Zahra, 2011). Taken together and in response to the initial purpose of the work by Baumol (1996), paper 1 findings (and also paper 3) recommend that policies should influence not just the quantity but the quality of entrepreneurial activities.

Second, paper 2 shows how family dynamics (expressed in the birth order) within entrepreneurial families can influence the career opportunities and choices of their offspring, potentially leading to inequalities in opportunities (SDG 10). Such inequalities might result in missing some potential talents in entrepreneurship. Accordingly, our findings assert that entrepreneurial family members and policymakers should create inclusive practices and environments that provide equal entrepreneurial opportunities for all offspring. This is not expected to help only the offspring but also the entrepreneurial parent. To illustrate, our research offers valuable insights for entrepreneurial parents with offspring who are subject to making an early career choice in the parent’s business. We show that later-born offspring, though more likely to join the parent’s business, often have a higher tendency to leave compared to their early-born siblings. However, these later-borns can be particularly advantageous in competitive or challenging business scenarios. These findings highlight the importance of entrepreneurial parents offering an upbringing environment that acknowledges and addresses these birth order-related tendencies, thus preparing all their children, irrespective of birth order, for potential roles in the family business.

Third, paper 3 focuses on how institutional investors’ preferences for innovation influence firm performance and innovation strategies. My findings highlight the need for policies that promote innovation-friendly investment environments. This is directly relevant to SDG 9 (Industry, Innovation, and Infrastructure), as paper 3 shows how institutional investor preferences can shape or hinder a firm’s innovative capacity. The paper also sheds light on the evolving role of the investor relations officer (IRO) among corporate firms, highlighting the need for adaptive strategies in communicating with investors (Carey et al., 2021).

In sum, the papers in this dissertation together highlight the understanding of the dynamics between economic returns and societal impact. The combined insights from these papers emphasize the importance of policy design in entrepreneurship. From a policymaker’s perspective, the spirit of entrepreneurship cannot be controlled, but the surrounding incentives and environment can indeed be shaped through thoughtful policy design (see, e.g., Baumol, 1996; Minniti, 2016; Sobel, 2008). Policies should not only aim to foster entrepreneurship but also ensure its positive impact on societal well-being, equality of opportunities, and innovation. This dissertation should, hopefully, help policymakers to design “thoughtful” policies that can steer the extant entrepreneurial efforts towards productive entrepreneurial paths and away from unproductive or destructive ones. Hence, such policies should
5.3 Limitations and future research

Like any research, this dissertation has limitations and opens avenues for future research. In this section, I discuss the overarching limitations and recommendations for future research. First, one of the main challenges of this dissertation is the generalizability. This is due to the context-specific nature of entrepreneurship (Desai & Acs, 2007; Minniti, 2008). For example, in paper 1, the perceptions toward well-being and work-life balance, pivotal to the findings, are highly contextual and may vary significantly in countries beyond Sweden. In fact, Sweden is known for higher levels of these qualities. Similarly, paper 2’s insights into birth order effects within entrepreneurial families may not uniformly apply across different economic contexts, as emerging and developed economies exhibit varied family and business dynamics (see Campbell et al., 2019). Likewise, paper 3’s findings on institutional investors are subject to variation across different national financial systems and regulatory environments (see Luong et al., 2017). This context-dependency suggests that applying the dissertation’s findings to policy design in diverse settings may require careful consideration and adaptation, acknowledging the complexities and variations inherent in different entrepreneurial ecosystems. Thus, given these context-dependent limitations, future research should focus on replicating and extending the studies in this dissertation across different socio-economic and cultural contexts. This approach would provide a broader understanding of how the findings might vary across contexts, resulting in designing more “thoughtful” policies suitable for the context’s entrepreneurial ecosystems.

The second limitation of this dissertation, which also opens avenues for future research, is its focus on SDG 3 (Good Health and Well-being), 8 (Decent Work and Economic Growth), 9 (Industry, Innovation, and Infrastructure), and 10 (Reduced Inequalities). While these goals are crucial, the prioritization and importance of different SDGs can vary globally. In nations with higher welfare levels like Sweden or the US, these four SDGs might be a priority, but they may not hold the same relevance as SDGs like 1 (No Poverty), 2 (Zero Hunger), and 6 (Clean Water and Sanitation), which address fundamental survival issues. This suggests that in contexts where survival is a primary concern, these SDGs might be secondary, thus indicating a potential area for future research to explore the potential dark sides of entrepreneurship with respect to other relatively more prioritized SDGs in different socio-economic contexts.

The third limitation of this dissertation is its focus on three specific areas where the potential dark side pertaining to entrepreneurship is examined: new venture scaling, family dynamics, and the role of institutional investors. While these aspects were conceptually motivated across this dissertation and empirically validated through the papers, numerous other aspects of the dark side pertaining to entrepreneurship remain unexplored. Future research should explore other negatively affected stakeholders or other entrepreneurial activities with potential dark sides. For example, future research could investigate how aggressive scaling by new entrants contribute to a more balanced and sustainable entrepreneurial ecosystem, aligning with the Sustainable Development Goals.
impacts other incumbent (new) ventures. It can also examine variations in the dark side across different contexts, such as firm types or industries. For instance, do family firms exhibit more (or less) dark sides on their employees or other stakeholders compared to non-family firms? And why? Additionally, future research could investigate the effects on other family members of entrepreneurs, like partners, and whether their careers or well-being are compromised.

5.4 Research ethics

Like any research, there are ethical considerations related to the research conducted. First, regarding the data source and anonymity, all data used in this dissertation is archival (secondary) data that is either provided by Statistics Sweden (SCB) for the Swedish data or WRDS for the U.S. data (for details, see Table 2). The Swedish data (SCB) anonymizes the obtained data, so as a researcher, I cannot identify or link any individual, family, or firm involved in the first two papers. Second, the sensitive parts of the U.S. data, particularly the ownership data (i.e., 13F filing), are also anonymized by the data vendor. The only non-anonymized data is the financial reports and patent records of these corporations, which are publicly available.

Second, in addressing ethical considerations in research design, each paper in this dissertation emphasizes responsible data handling and meaningful research outcomes. To illustrate, paper 1 focuses on the well-being of employees in scaling ventures, highlighting the potential negative consequences of scaling on employee burnout and job satisfaction. This aligns with ethical research practices by focusing on the welfare of the individuals (employees) and providing insights that can be beneficial for managerial decision-making. Paper 2 also aligns with ethical research practices by emphasizing the importance of providing equal opportunities to offspring and assuring that their early career choices—regardless of the pursued choice—are still a matter of their choice and not entirely subject to their upbringing environment and family dynamics. This paper also provides insights that can be beneficial for parental entrepreneurs when involving the next generations in their firms. Paper 3 aligns with ethical research practices by examining the influences of institutional investors on corporate innovation strategies (and their value). It explores how the preferences and pressures from these investors can divert firms towards or away from innovative practices. By examining these relationships, the paper aims to help firms make more informed decisions that balance investor expectations with long-term innovation goals. However, it is important to consider that this paper does not encourage firms to act myopically concerning their innovation or commit misconduct. In fact, the paper provides implications on how firms can also signal their innovation tendencies to attract investors who are innovation-friendly.

Third, regarding studying negative aspects of entrepreneurship and the potential misinterpretation of the findings, this dissertation explores a less-studied aspect of entrepreneurship—its dark aspect. The primary ethical concern centers around the use and interpretation of my work. It is critically important to note that this research does not aim to question entrepreneurship in its entirety but instead calls for a more balanced view that acknowledges its diverse and potentially negative
impacts. By highlighting the adverse effects of certain practices, the goal is to promote responsible and ethical decision-making in the entrepreneurial domain. To mitigate potential risks of misinterpretation of my work, I apply the following aspects in each paper compiled in this dissertation: (1) contextual understanding: I present the findings within specific contexts, even if they are, empirically speaking, generalizable; (2) promoting responsible decisions: studying negative aspects of entrepreneurship serves as a guide to recognizing potential problems associated with entrepreneurial activities, which encourage more ethical business practices; and (3) proposing solutions: in each paper after examining the adverse effects, I propose either a boundary condition to mitigate such effects or empirically examine an action to avoid them (see Figure 1: the research model of this dissertation).
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Beyond the bright side: Investigating dark aspects of independent entrepreneurship, family entrepreneurship, and corporate entrepreneurship

References


Beyond the bright side

Investigating Dark Aspects of Independent Entrepreneurship, Family Entrepreneurship, and Corporate Entrepreneurship

Entrepreneurship is often perceived as a driving force for employment, innovation, and knowledge creation and is linked to poverty alleviation and economic growth. While entrepreneurship is often seen as a pathway for economic development and societal welfare, it does not consistently deliver the expected outcomes and, in certain instances, may exacerbate poverty, impede development, and present challenges to societal well-being and equality. This paradox within entrepreneurship emphasizes the necessity of exploring the negative (dark) aspects pertaining to entrepreneurship. Neglecting these negative aspects can lead to an incomplete understanding of entrepreneurship. Accordingly, this dissertation challenges the conventional positive view of entrepreneurship by (1) investigating some negative (i.e., dark) aspects of independent entrepreneurship, family entrepreneurship, and corporate entrepreneurship and (2) what might potentially mitigate these negative aspects. Specifically, this dissertation includes three empirical papers, each focusing on a distinct type of ownership: owner-manager ownership (independent entrepreneurship), family ownership (family entrepreneurship), and external investor ownership (corporate entrepreneurship). Together, they offer different insights into the potential negative aspects pertaining to entrepreneurship. Each paper draws on different theoretical perspectives. This dissertation contributes to the potential (social) costs of entrepreneurship, the ongoing discussion on how to mitigate these negative aspects, and the theory of entrepreneurial allocation. This dissertation provides implications for policymaking relevant to four specific Sustainable Development Goals: SDG 3 (promoting well-being), SDG 8 (fostering a decent work environment), SDG 10 (addressing inequalities), and SDG 9 (enhancing innovation). It also has implications for practitioners, such as entrepreneurs and their followers.

MOHAMED GENEDY’s research interests as a Ph.D. candidate at Jönköping International Business School include entrepreneurship and well-being, family entrepreneurship, and ownership. His research has been published in the Journal of Business Venturing and Entrepreneurship Theory and Practice.