



**KTH Industrial Engineering  
and Management**

## **In Search for Greener Grass**

**Employee Mobility, Self-employment and Career Choices in the Wake of  
Consolidation**

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## Sammanfattning

Den moderna ekonomin har till största del fokus på kunskapsintensiv tillverking och avancerade tjänster. Detta leder per automati till en bättre uppskattning av individerna som besitter kunskapen dvs dom anställda, med påföljd att företagen värnar mer om sina medarbear. Trots det så ser vi en tydlig trend med en ökad rörlighet bland anställda. Denna avhandlingen består av fyra artiklar vars utgångspunkt är just denna rörlighet och dess relation till företags strategiska beslut så som förvärv och avveckling. Avhandlingen består av fyra artiklar vars primära syfte är att identifiera viktiga "krafter" bakom den uppmärksammade rörligheten, inklusive övergång till företagande och dess konsekvenser ur ett arbetsmarknadsperspektiv.

Den första artikeln undersöker incitamenten som driver anställda till att lämna ett företag för att starta eget efter en fusion eller ett uppköp. Först och främst så bekräftar resultaten en ökad rörlighet. Det finns även tydliga tecken på att anställda blir drivna, av olika faktorer, till att starta eget. Denna effekten är dock begränsad vilket tyder på att det även finns faktorer som lockar till eget företagande efter fusion och uppköp. Ett viktigt bidrag i artikeln är att vi urskiljer drivande från lockande krafterna och skapar kvantitativa mått på detta.

Även andra artikeln i avhandlingen studerar anställdas benägenhet till rörlighet med fokus på individer med chefsposition. Då det är motiverat att det är en fördel att behålla företagets topp chefer vid fusioner och uppköp är det uppseendeväckande att forskning bekräftar en ökad rörlighet. Vi introducerar team konceptet i analysen av topp chefers rörlighet efter fusioner och konstaterar att mångfald i teamen före fusion och uppköp har en signifikant positiv påverkan på sannolikheten att dessa chefer lämnar företaget.

Artikel tre utgår från team konceptet och mångfald för att landa i en analys av faktorer som bidrar till diversiteten bland grundarna till ett nytt företag. Bristande mångfald bland grundarna är intressant att undersöka eftersom det påverkar företagets framtida tillväxt och verksamhet. Det råder en viss allmän homogeneitet över grupper som formas. Denna artikeln fokuserar på företagsgrundare som starta nya enheter ihop med kollegor efter en uppsägning på grund av nedläggning/avveckling av arbetsplatsen. Resultaten antyder att de team som formas

i detta sammanhang är mindre homogena än det genomsnittliga teamet och att detta uppstår bland annat genom begränsade nätverk.

Avhandlingens övergripande perspektiv på företagande som ett alternativ till reguljära anställningar leder till sista artikelns forskningsfråga "hur värderas rörligheten och egna företagandet ur ett arbetsmarknadsperspektiv?". Vi konstaterar från våra analyser att individerna får ett litet lönepremium när dom återvänder till anställning jämfört med individer som fortsätter som anställda och inte testar på att starta eget.

Studierna i avhandlingen baseras på kvantitativa analyser och ekonometriska regressioner applicerade på en omfattande databas från Svenska Statistiska Centralbyrån.

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**Nyckelord:** Fusioner och uppköp; anställdas rörlighet; eget företagande; grupp; chefer; heterogenitet; arbetsmarknad

## Abstract

In this environment of increasingly knowledge intensive economy, individuals with their embedded skills and knowledge are the main source of value for an organization. Both employers and employees have strong reasons to consider the causes and consequences of job mobility. Such considerations are accentuated in the context of an organizational change such as that brought about during mergers and acquisitions (M&As). This argumentation determines the starting point for the thesis. This dissertation explores employee mobility, the formed alliances and their labor market evaluation post M&As and firm closure.

The first paper investigates the increased employee mobility and the generated spin-outs post M&As. By distinguishing the pushed from the pulled forces, the results suggest that employees are indeed pushed into self-employment after an M&A. Yet this force only partially explains the mobility of employees and the generation of opportunities in association with M&As insinuates the presence of a pulled force. One of the contributions of this paper is the conceptualization of the push force through quantitative measures.

The second paper originates from the same argument as the previous paper. Employees are not only the carrier of knowledge but they also determine the culture and the more informal values of the firms. It is argued that the detention of top-managers post-M&As facilitates the integration and is critical for the transition of knowledge. Despite the provided evidences, there is still a surprisingly high top manager turnover post-M&A. In this paper we argue that one of the underlying motives for this turn-over is the structure of the top-management team pre-M&As. Our empirical analyses provides support for our hypotheses suggesting that a higher level of diversity in top-management teams pre-M&As increases the propensity of top-manager turn-over post-M&As.

In paper three, the teams are put in focus. As the composition of the founding team in new ventures determines the venture's future performance and potential growth, it is relevant to examine the factors shaping the structure of these teams. This paper empirically examines the difference in the intensity of diversity in founders teams when formed under pushed and pulled

circumstances. The outcomes suggest that these teams are in general dominated by homogeneity. However, under pushed circumstances (lay-off post firm shutdowns), the heterogeneity increases. These results indicate that the general tendency to homogeneity of founding teams is related to the restriction imposed by the individuals network rather than the result of their preferences for homogeneous teams.

Finally the last paper studies the labor market evaluation of the studied employee mobility and self-employment. Matching methods and treatment effects are applied to compare the future wages of employees with a temporary detour in self-employment after dismissal. As self-employment is in general a temporary employment and the experience is of short spell, it is important to examine the outcome of such practice. In this paper we reveal a small wage premium for individuals with a detour into self-employment compared to those who stay in conventional employment.

The empirical work of the thesis is built on quantitative analyses and econometric regressions applied on extensive databases from Statistics Sweden.

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**Keywords:** Mergers and acquisitions; Employee mobility; Entrepreneurship; Self-employment; Teams; Managers; Homophily; Labor market

*"No matter how bad things get, something good is out there, just over the horizon"*

*-The Green Lantern*

## Preface

Mysteries have always intrigued me. This work is not entirely driven by my curiosity but is also a reflection of my genuine interest for individuals and entrepreneurship. And most importantly, this thesis is my attempt to contribute, through academic research, to the understanding of the dynamics of entrepreneurship, employee mobility and career choices.

During the last years I have devoted a greater part of my life to this research. This opportunity wouldn't have been if it wasn't for all the support and guidance I've received.

First, I would like to thank Anders Broström for being a committed supervisor, an excellent mentor and an incredible support. Our discussions have been a source of inspiration pushing me to improve and advance. Anders has always been available with valuable advice and I admire his professionalism.

As a researcher, I have faced numerous moments of doubt, stagnation and frustration. The presence and feed-back from my colleagues (and former colleagues) at the unit of Economics has helped me advance and progress both professionally and personally. Thank you Hans, Per, Christian, Pontus, Gustav, Björn, Vardan, Börje, Yury, and Tomas. Moreover, I would like to thank my co-supervisor Kristina Nyström for her support. I am also thankful to my fellow PhD-students Linda, Ed, and Andra for creating a pleasant work environment.

During my PhD journey I have developed new ties and friendship. To my favorite trio, Anna, Emrah and Andrés, I owe you most of the laughter and you have taught me what real friendship is. I am lucky to have you in my life. Gulzat, Ingrid and Julia, thank you for cheering me up, inspiring me and for all our serious and less serious discussions. This process has been less lonely thanks to you and I will truly miss you.

My academic accomplishment is the result of the compiled support I've received. I have been able to create a balanced life with the assistance and understanding of my environment. To Roula and Pardis, you've been there from the very beginning and you have never let me down. I can't really describe how thankful I am to have you as friends, you mean so much to me.

Behind most of my achievements stands my family. My mother has given me more support

than I could ever have wished for. Mum, you are amazing. The presence of my brother and his family has given me so much strength, in particular my nephew Adam with his ability to always make me smile.

Just like every hero needs a sidekick, every captain needs a mate, and every dinner needs a side dish, Magnus you are all that and even more to me. Thank you for always having my back, for patiently listening to my concerns about endogeneity, and for being my point of stability in this agitated process. And finally, to the biggest superhero of them all, my son Cornelis, with your superpower of making space and time disappear and filling life with joy, you have given me so much energy. Among all my accomplishments, you are the most beautiful.

*Stockholm, October 2018*

***Monia Lougui***

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## List of appended papers

### **Paper I**

Lougui, M. and Broström, A. "New firm formation in the wake of mergers and acquisitions: Are employees pushed or pulled into entrepreneurship?"

### **Paper II**

Aghasi, K., Lougui, M., Broström, A., and Colombo, M. G. "Why diverse top management teams break up in post-acquisition periods"

### **Paper III**

Lougui, M. "Choosing your side-kick: Team diversity in pulled and pushed entrepreneurship"

### **Paper IV**

Lougui, M. and Broström, A. "The labor market value of experience from temporary self-employment"

## 1 Introduction

At the core of this thesis lies the concept of opportunity. With industrial and organizational changes agonizing corporations, the focus of research is often put on the adverse fallout and the employees' distress. Beyond the documented negative outcomes, corporate strategies have a potential to generate unexplored opportunities for the concerned employees. In this dissertation, the mobility of the employees is not only put in focus but also used as an instrument to illustrate the outcomes of these approaches through the inspection of career choices, formed alliances and labor market valuation of the activities.

Mergers and acquisitions (M&As) are corporate strategies through which organizations and entities combine their activities with the belief that the outcome is greater than the sum of the value created through independent activity. The potential economies of scale and scope increase with horizontal M&As, thereby possibly improving the efficiency (Williamson, 1968). Moreover, from a long term perspective, M&As tweak the conditions for industry-wide innovation activities (Cassiman et al., 2005; Cloudt et al., 2006). These organizational changes then strike beyond the concerned entities to involve individual- and industrial-level adjustment. Through these adjustments, problems of acculturation upsurge (Larsson and Lubatkin, 2001) and a deterioration of career opportunities are perceived (Haveman and Cohen, 1994) implying lowered general boundaries to mobility. In addition, new entrepreneurial opportunities are created with the M&A process by abandoning smaller segments (Gugler et al., 2003; Luksha, 2008) and creating a mismatch between the business opportunities perceived by employees and the organization's strategy (Klepper and Sleeper, 2005; Klepper and Thompson, 2010). M&As are also associated with a larger spin-out rate and employees' shift to self-employment. Yet, previous research seldom recognizes the various forces and arguments motivating employee turnover. These motives are relevant not only for understanding the process but also for the assessment of the outcomes. The implications of these evolutions are crucial from a career perspective, for industry development and even for economic growth.

In the wake of the observed increased mobility of employees post-M&As, research evokes

the importance of the retention of managers in the top management team as facilitators of the integration process (Graebner, 2004, 2009; Ranft and Lord, 2002) and as part of the firm's human capital (Buchholtz et al., 2003; Castanias and Helfat, 2001; Coff, 1999; Walsh, 1988; Wulf and Singh, 2011). Despite the evident importance of manager retention post acquisitions, particularly in knowledge-intensive industries, empirical studies report significant turnover of managers (Cannella and Hambrick, 1993; Iverson and Pullman, 2000; Kiessling and Harvey, 2006; Krishnan et al., 1997; Krug and Harvey Hegarty, 2001; Lubatkin et al., 1999; Mikkelsen and Partch, 1997; Walsh, 1988). This calls for the need to investigate the processes driving the spin-out activity and an understanding of the forces increasing top managers' mobility post M&As.

Hence, the primary aim of the dissertation is to fill the gaps mentioned above. An extensive database provided by Statistics Sweden is exploited to investigate the various research questions. In light of the findings emerging from these studies, additional gaps are identified. As the concept of the team is highlighted in the discoveries explaining the turnover of top managers post M&As, attention is drawn to team mobility. There is extensive literature examining the team aspect of self-employment (Bird, 1989; Cooper and Daily, 1996; Kamm et al., 1990; Vyakarnam et al., 1998) and emphasizing its relevance for the performance and growth of a venture (Ely, 2004; Steffens et al., 2012; Van Der Vegt et al., 2005). In addition, the composition of these teams seems to be significant for the outcomes (performance and growth). However, there is little research revealing the factors dominating and steering the composition of the formed teams.

With increased employee mobility, formed alliances and self-employment, the destiny and careers of the concerned individuals take a different turn. The last part of the thesis is devoted to the evaluation of self-employment, as this activity is traditionally described as temporary with a high rate of failure (Bruce and Schuetze, 2004; Taylor, 1999; Kaiser and Malchow-Moller, 2011). Previous findings fail to agree upon self-employment's value subsequently in the labor market in terms of future salary. A number of studies reveal a net negative effect (Bruce and Schuetze, 2004; Failla et al., 2017) while others found a positive net effect (Daly, 2015).

This thesis is a compilation of four papers relying on econometric estimations to tackle the described gaps. The extensive and rich database from Statistics Sweden, covering firms and individuals registered in Sweden, is deployed. The data is collected through surveys filed by enterprises, government agencies and private persons. By applying quantitative methods to this data, the author is an external agent to the data collection and hence strengthens the reliability by reducing the bias. As for the contributions of the research, they are of various dimensions, starting by extending the literature of the concerned topics, improving the methodology and revealing new results that contribute to the understanding and depiction of a wider and more accurate description of the theme.

## 2 Theoretical context and previous findings

The research conducted borrows arguments and support from the entrepreneurship, industrial organization and labor market doctrines.

The concept of entrepreneurship as presented in the previous section is at the core of the studies. Here, entrepreneurship is regarded as a career choice whereby individuals decide to enter self-employment over paid employment or unemployment. In line with previous research, I identify a triggering event driving the individuals to commit to one of the three mentioned alternatives. I primarily argue that mergers and acquisitions (M&As) are examples of disruptive events prompting individuals to make career choices.

Previous empirical results confirm the increased number of spin-outs post M&A (for a review, see Klepper (2007)). This trend may originate from the deteriorating working conditions associated with M&As as a result of the integration of at least two organizational units with different cultures, activities, objectives and talent sets, leading to a mismatch between the employees' aspirations and the firm's management (Klepper and Thompson, 2010). As a result, employees are pushed to leave the firm and start new ventures (Henderson and Clark, 1990; Klepper and Sleeper, 2005; Tushman and Anderson, 1986). In addition, the job characteristics theory claims an increased dissatisfaction following an M&A (Seo and Hill, 2005), provoked by a deterioration of the working environment that entails disappointment and disruption of psychological contracts and ties with colleagues (Newma and Krzystofiak, 1993).

The observed increased mobility of employees post M&As is in contradiction to what is considered to be part of the ambition of such operations, in particular when it comes to top managers, where knowledge and experience facilitate coordination, knowledge transfer and a smooth fusion of entities (Cloudt et al., 2006; Colombo and Rabbiosi, 2014; Graebner, 2004; Ranft and Lord, 2000). Hence, there is a gap between empirical findings and the theoretical claims when investigating top management teams post M&As, which may be a result of the lack of attention paid to the context (Krug et al., 2014). This draws attention to the top managers, not as sole individuals but rather as a team of managers composing the top management team

(TMT). The TMT consists of diverse managers with complementary assets working in synergy towards common goals. With a disruptive event such as an M&A, the teams are unbalanced and internally inconsistent (Marks et al., 2001).

Teams and employee mobility are not only the concern of top management scholars but have also been considered in entrepreneurship studies (e.g. Bird (1989); Cooper and Daily (1996); Kamm et al. (1990); Vyakarnam et al. (1998)). The weight of the founding team in entrepreneurship is fortified through evidence of the influence of team diversity on the performance and survival of new ventures (Ely, 2004; Steffens et al., 2012; Van Der Vegt et al., 2005). The formation of teams is driven by homophily and is restricted by the social network of the individuals (Parker, 2009). Ruef (2010) defines homophily as the established collaboration of founders with similar sociodemographic traits. Hence, entrepreneurship and entrepreneurial teams are shaped by the environment and context where ties are formed between similar individuals within a restricted network. As argued above, an M&A is a source of entrepreneurial opportunities inducing an increased likelihood to become an entrepreneur, and it is a disruptive event for employees. This suggests that the potential job shifters change, and therefore so does the network of potential business partners.

It seems that the decision to start a business is partly driven by the changes applied in an organization, making self-employment a career option for employees. However, previous empirical findings describe self-employment as a temporary activity with a high failure rate (Bruce and Schuetze, 2004; Taylor, 1999; Kaiser and Malchow-Moller, 2011). Consequently, a significant number of these entrepreneurs return to conventional employment after a short detour into self-employment, and entrepreneurship is therefore evaluated on the labor market. The literature reveals contradictory results when evaluating the earnings of entrepreneurs in subsequent conventional employment. Some results suggest a negative net effect of self-employment on subsequent wages when returning to paid employment (Bruce and Schuetze, 2004; Failla et al., 2017), in particular for women (Williams, 2000) and the lesser educated (Hyytinen and Rouvinen, 2008). On the other hand, empirical studies point at a premium in future paid-employment wage

(Daly, 2015), and an economic advantage for former entrepreneurs hired in innovative sectors (Luzzi and Sasson, 2016), and for entrepreneurs who employed at least one employee (Kaiser and Malchow-Moller, 2011).

### **3 Key concepts**

The papers composing this thesis enclose key concepts that not only represent the focus of the study and the element of analysis but also comprise the research environment and delimit the frame of analysis. These concepts are subject to a wide and free interpretation, which can be a source of misunderstanding and confusion.

#### **3.1 Entrepreneurship**

The adoption of the term ‘entrepreneurship’ is extensive, raising concern for the loss of its inherent meaning. An extension to this concern is the incoherency in its definitions and interpretations. Therefore I consider it crucial to outline entrepreneurship and the embraced doctrine.

##### **What is entrepreneurship and an entrepreneur?**

The entrepreneur, according to Cantillon (1755), is a risk-taking speculator and an intelligent arbitrageur willing to take the risk of purchasing at a given price and selling at an uncertain one. Originally, the entrepreneur was not defined as an innovator in the traditional sense, but rather as an intermediary bringing supply and demand together while enduring the incorporated risks. The innovative and creative character of Cantillon’s entrepreneur is reflected in his or her ability to upgrade the value of exchanged good by creating time and place utility.

Following the spirit of Cantillon’s entrepreneur as a coordinator, Say (1828) puts the entrepreneur at the center of the economy and as a manager of the diverse production factors. The determination, judgment skills and experience of entrepreneurs during periods of scarcity is the source of their profit. Very much like the entrepreneur in Cantillon’s world, Say’s en-

trepreneur is strongly dependent on his or her qualities and creativity. However, critiques have been raised, and Say's entrepreneur has been compared to nothing more than a superior employee with management responsibilities.

These initial definitions of the entrepreneur give little room for creativity and innovation skills, which are better acknowledged in the Schumpeterian view of entrepreneurship (Mason and Harrison, 2006). Schumpeter (1934, 1939) illustrates the entrepreneur as the source of innovations, business cycle development, and the source behind the shift toward new processes and technologies: "the doing of new things or the doing of things that are already being done in a new way" (Schumpeter, 1947, p.151). This entrepreneur as innovator embraces different dimensions such as product innovation, process innovation, market innovation, and organization innovation. The concept of creative destruction was formulated by Schumpeter (1942), describing the role of entrepreneurship as a movement disrupting the economy by wiping out products and production processes and substituting them with new technologies, inventions, products and processes. With Schumpeter's definition, the unit of analysis moves from the skills and behavior of the individuals to a focus on processes.

Skills and individual traits are rather abstract concepts defining entrepreneurship, and therefore, in this thesis, I opt for a definition focusing on actions. In line with Gartner (1988) and Low and MacMillan (1988), I view entrepreneurship as the creation of new ventures or organizations as a new economic activity (Davidsson, 2005). In other words, Entrepreneurship in this thesis is defined as *a venture run by one or several individuals and being the primary source of income*. This definition relies strongly on the employment status of the agents and is associated to the term self-employment. Indeed, I alternate the terms entrepreneurship and self-employment.

### 3.2 Spin-outs: Pulled and pushed

Spin-outs are highlighted in this thesis. I consider spin-outs as new ventures launched by entrepreneurs initially employed and subsequently shifting from paid employment to self-employment. The employment status and form is, then, the main factor identifying a spin-out. As a conse-

quence of this definition, a spin-out is a consequence of entrepreneurship. In this thesis, I distinguish two types of spin-outs: necessity/pushed and opportunity/pulled spin-offs.

The categorization is based on the motives initiating entrepreneurial activity. In line with the definition suggested by Buenstorf (2009), I select the triggering event for the identification of the type of spin-out and identify the discovery of opportunities and negative events in a firm as the two forces pulling and pushing employees to spin-off.

Spin-outs emerge out of the identification of new entrepreneurial opportunities. The recognition of these opportunities is usually of interest for incumbent firms with advantages in the market compared to new entries with little assets (Teece, 2003). However, an incumbent might decide against exploiting an opportunity if it is not fully recognized (Agarwal et al., 2004), if the opportunity does not fit into the incumbent firm's segment (Christensen and Rosenbloom, 1995), or if there are more opportunities than the firm judges possible to exploit (Moore and Davis, 2004).

The spin-outs I refer to are new ventures launched due to the lack of other options. Such situations can occur when adverse events strike a firm. Generally, these adverse events result in disagreements that push employees to spin off. In addition, a deterioration of the working environment, often as a result of the adverse event, lowers the general barrier to job mobility and influences employees' perceived value of staying employed. Employees are thereby pushed into entrepreneurship.

Previous studies have established a performance difference (Andersson and Klepper, 2013) and a survival gap (Rocha et al., 2015*b,a*) between the pushed and pulled spin-outs. As the setups for the pushed and pulled ventures differ, so do the characteristics, ambitions and outcomes of the spin-outs. The distinction is essential for understanding the processes when founding the ventures, but it also contributes to understanding the performance and survival of each type of spin-out.

### 3.3 Utility, opportunity cost and career choices

The career choice of an individual is a matter of utility optimization with consideration of the opportunity cost. This lies at the core of the thesis, as employee mobility is one of main subjects considered. Douglas and Shepherd (2000) present a utility function expressing the individual's career choice:

$$U_j = F(Y_j, W_j, R_j, I_j, O_j) \quad (1)$$

where

$U_j$ = anticipated utility in the next period from the  $j^{th}$  job

$Y_j$ = anticipated income of the next period from the  $j^{th}$  job

$W_j$ = anticipated work effort in the next period from the  $j^{th}$  job

$R_j$ = anticipated risk in the next period from the  $j^{th}$  job

$I_j$ = anticipated independence in the next period from the  $j^{th}$  job

$O_j$ = other conditions anticipated in the next period from the  $j^{th}$  job

Empirically, it is a challenge to observe and estimate the parameters of the utility function, as they are highly abstract concepts. In this thesis, I focus on income as a determinant of the anticipated utility.

Opportunity cost is the foregone income of the next best alternative. Opportunity cost of self-employment is a central concept in the research and drives the reasoning and argumentation. Opportunity cost is at the source of the decisions taken by the individual and is exclusively determined with respect to the human capital endowment, preferences and satisfaction (Cassar, 2006). Ideally, the operationalization of opportunity cost would be the discounted future wage of employees while working at their most desirable employment. Estimating the opportunity cost of self-employment can be a challenge, and I follow what is suggested in Amit et al. (1995), using

the actual wage before shifting to self-employment as a proxy for opportunity cost. Empirically, I introduce different proxies for opportunity cost beyond the foregone wage.

- \* The observed returns to job mobility: The measurement of opportunity cost here is the average new wage of employees shifting from one paid employment to another paid employment during the same period as those who shift from paid employment to self-employment. In other words, this is the foregone wage of the individuals who have left their employment for another paid employment.
- \* The percentage of job mobility: This is the percentage of job switchers accepting a reduction in their yearly salary.
- \* Parenthood: The responsibility associated with parenthood can be argued to increase the risk aversion of individuals and therefore account as an approximation of opportunity cost.

The opportunity cost together with the utility lies behind the career choices of individuals. The considered career options in this thesis are paid employment, self-employment and unemployment.

In the papers, even if not always explicitly, I account for the utility maximization effort of the individuals and develop a discussion and motivation based on the factors creating the utility. The following factors are considered:

#### *Mergers and acquisitions*

As a disruptive force with a deteriorating impact on the working conditions in the involved firms (Seo and Hill, 2005), mergers and acquisitions decrease employees' job satisfaction and therefore reflect a decrease in the opportunity cost. The confirmed direct relationship between M&As and the opportunity cost is one argument to include the event – if not as a unit of analysis, at least as a control when looking at employees' mobility and career choices.

*Human capital endowment*

Whether innate or generated through experience, education and learning, certain skills give individuals an advantage when self-employed. An agent with the human capital endowment favoring self-employment will experience a lower opportunity cost of starting a business than an individual lacking such endowment, all else being equal. Possessing the particular advantageous skills when running a business (such as being a jack of all trades) would increase the estimated income from self-employment, while it might reduce the estimated income from paid employment, where more precise skills are generally required.

*Current and anticipated income*

Douglas and Shepherd (2000) expose the income issue by referring to the example of high- and low-ability workers with high and low incomes, respectively. In theory, low-ability employees will have a lower opportunity cost of becoming self-employed, as the difference between expected and foregone income is more important than the difference for the high-ability workers.

*Teams and alliances*

With the utility being a function of estimated risk, profit and independence, the career choice changes when the agents adjust these factors. By forming alliances, the cumulative knowledge can be broadened and thus reduces the uncertainty, and hence the risk can be anticipated as lower. However, forming teams that work together towards common goals is not only a shared risk but also implies a split of the profit. Moreover, working in teams creates bounds that hinder independence.

## **4 Empirical context**

The empirical analysis in this dissertation is applied to Swedish data from Statistics Sweden. As a subject for examining employee mobility, career options and self-employment opportunities, the Swedish context differs from studies applied to the American and non-Nordic countries. The essential differences concerned in the four studies are mainly related to the labor market regulations and the predisposition for entrepreneurial activities.

### **4.1 Entrepreneurship in Sweden**

A great number of new ventures are launched each year in Sweden. The table below illustrates some figures of the new ventures during the studied period.

Table 1: New ventures in Sweden

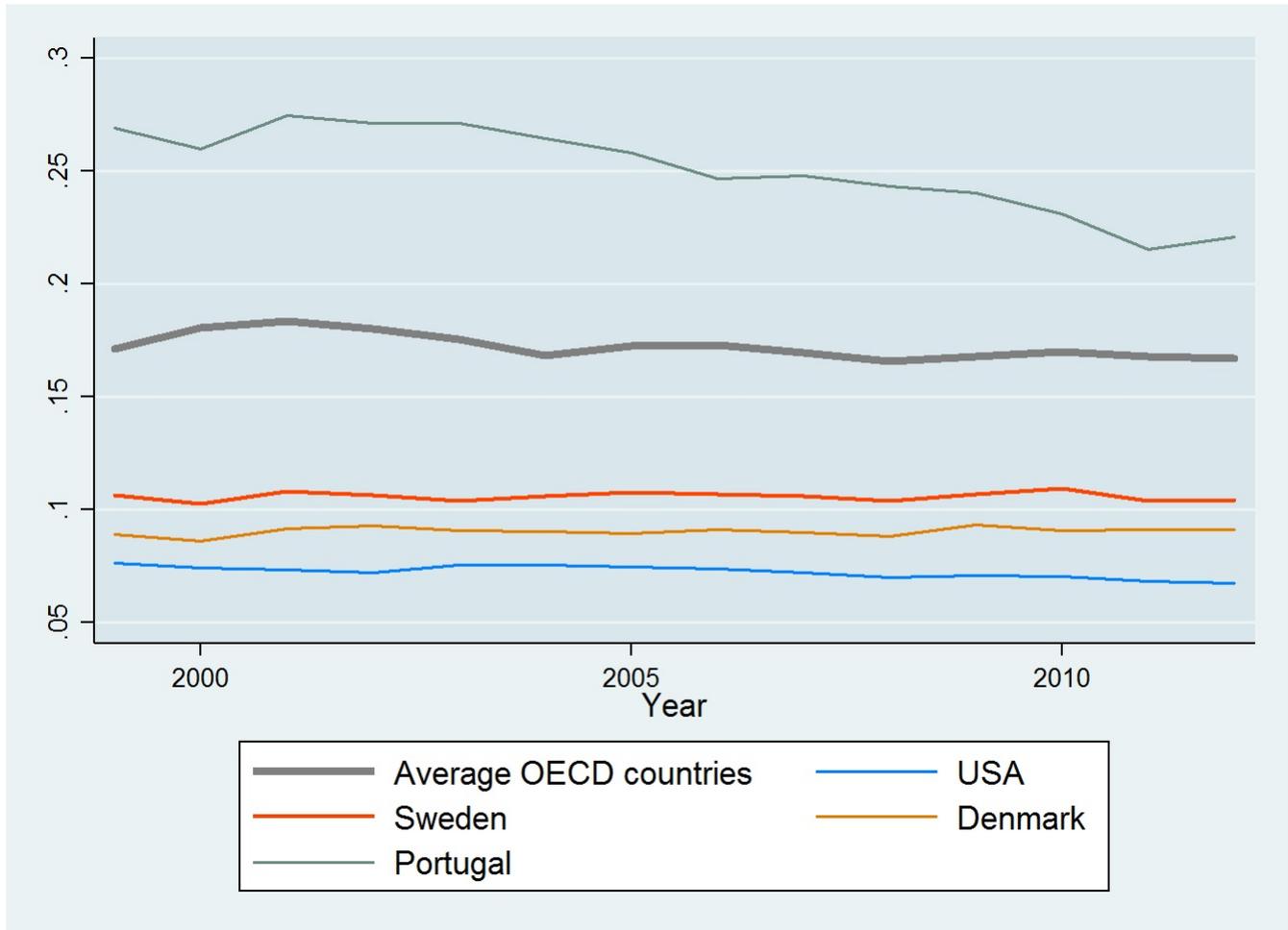
	Self-employment rate* (%)	New ventures**	Workforce employed in new ventures**
2000	10.29	38745	78724
2001	10.82	35517	61014
2002	10.67	37348	63267
2003	10.41	36413	59231
2004	10.62	41792	66560
2005	10.78	43932	70058
2006	10.69	44386	69263
2007	10.59	58526	96538
2008	10.40	57801	94396
2009	10.68	59597	95201
2010	10.94	69855	115182
2011	10.41	73709	78577
2012	10.45	69216	71055

\*Source: OECD, \*\*Source: Ekonomifakta.se

Sweden has an average positive approach toward entrepreneurship, and surveys investigating attitudes toward self-employment in Sweden indicate that about half of the population would consider entrepreneurship as an employment option. Yet, figures published by the OECD indicate a relative low rate of self-employment in Sweden over the period considered in this dissertation.

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Figures taken from the Entrepreneurship Barometer (2004) introduced by the Swedish Business Development Agency



Source: OECD (2018), Self-employment rate (indicator).

Figure 1: Self-employment rate in Sweden and other OECD countries

The difference between perception and actual operationalization of entrepreneurship in Sweden invites exploration of the underlying hindrance. The Swedish Agency for Economic and Regional Growth recognizes the need to reduce this gap between the consideration and desire to start a business and actually starting a business. When investigating the attitudes towards entrepreneurship, and asking individuals about the obstacles experienced for becoming self-

employed, they cite regulations, a lack of ideas and a high level of commitment required as the main factors behind the gap.

Many empirical studies related to the utility and benefits from self-employment rely on data from the US. However, unlike the US, Sweden does not have a tax policy that rewards entrepreneurs when income tax increases. There is no major difference between the income tax for self-employment and paid employment. In addition, the tax regulations in Sweden are deemed confusing and a source of discouragement for individuals with an intention to start a business.

### **Labor market flexibility**

Sweden has strict employment protection legislation (EPL) compared with other OECD countries and it has high unemployment insurance. The EPL was established with the purpose of benefiting and protecting employees and reducing the stigma associated with dismissals and layoffs. Beyond assuring employment safety, the rigidity of these laws in Sweden discourages employee mobility and tightens the fluidity of the labor market.

The figures in table 2 describe the high tenure of employees in Swedish firms over the time period 2002–2017. These figures demonstrate a rather passive employee fluidity, with the majority staying at the same firm for at least 10 years.

As highlighted in the OECD's survey from 2005, the strict employment protection laws impinge on the status of the Swedish labor market and may explain the observed long tenure. By accommodating employees who stay longer in a job, and older employees, the legislation indirectly reduces economy-wide human capital by hampering the cross-fertilization of ideas, as well as making it less convenient for aged employees to shift to less-demanding jobs. As a result, employee mobility and entrepreneurship are hindered, and efficiency at work is reduced.

Stability and security at work can be viewed as a goal for employees, yet it might also be a source of concern for firms. With rigid legislation, firms – and in particular new and small ventures – find it challenging to hire human capital, as dismissing employees becomes less

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See <http://www.oecd.org/employment/emp/oecdindicatorsofemploymentprotection.htm>

straightforward and increases the risk associated with starting and running a business.

Table 2: Employment by job tenure (as a percentage of total employees)

Tenure	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<12 months	15.1	15.1	14.3	17.6	20.2	21.6	21.1	18.2	19.2	21.2	20.2	20.1	20.7	21.2	21.7	22.3
1 to <3 years	18.8	14.2	13.2	11.5	11.8	12.9	14.6	15.3	13.1	12.4	14.8	14.7	14.6	14.5	NA	NA
3 to <5 years	12.7	14.5	14.6	13.1	10.8	9.6	9.8	11.2	12.9	12.7	10.8	11.4	12.7	12.7	NA	NA
5 to <10 years	14.2	16.5	18.1	19.5	20.8	20.9	19.8	19.6	18.0	17.5	18.3	18.9	18.2	18.7	NA	NA
≥10 years	39.2	39.7	39.7	38.3	36.4	35.0	34.8	35.7	36.8	36.1	35.8	35.0	33.8	32.8	32.0	31.2

Data extracted on 14 Aug 2018 05:35 UTC (GMT) from OECD.Stat

### **Insolvency regulations**

In Sweden, the insolvency laws prioritize creditors' welfare, putting it before that of business owners. The law of preferential rights assures the bank its share of claims before the unprioritized creditors. Here, the debate has acknowledged the adverse implications that such laws have for entrepreneurs by evoking the unnecessary bankruptcies provoked and rushed through by banks. In addition, in such constellations, business owners find it hard to negotiate with suppliers, as the banks receive debt priorities.

With the incentive to facilitate and prioritize the restructuring of a firm over a bankruptcy, new legislation was implemented in 2005 and the banks' priority was limited to 55% of the assets. This legislation was restored to the original 100% of assets in cases of bankruptcy as a response to the discontentment and the negative outcomes for the entrepreneurs, as it became harder to get a loan when starting a new business.

As a consequence, the insolvency regulations in Sweden increased the fear of failing as an entrepreneur, therefore undermining positive attitudes towards entrepreneurship.

## **4.2 Some important deregulations**

Beyond the self-efficacy and the attained utility from entrepreneurship, the drive and hindrance behind self-employment can also be defined by a nation's and a market's regulations. Hence, the economic activity and the new venture entries follow the trends and changes in regulations. In this section, I identify major deregulations in Sweden with a potential effect on the observed entrepreneurship level and new ventures.

### ***Market liberalization***

There is an established negative correlation between the size of the government sector and the entrepreneurial activity of a nation (Bøjrnskov and Foss, 2008). The liberalization of markets increases competition, reduces entry barriers and allows the establishment of new ventures. During the nineties, Sweden opened up the local government market, inviting entrepreneurs to

explore opportunities in what was previously inaccessible ground, such as welfare. The liberalization of the local government was mainly motivated by the dissatisfaction with the lack of choices among welfare providers.

### *Tax policies*

In countries such as the US, the tax policies are such that an increased income tax incentivizes entrepreneurship. In accordance with previous research (such as Cullen and Gordon (2007)), the tax system influences risk-taking and entrepreneurship. In the US for example, the tax system allows for: (1) Income-shifting, whereby the business owner can choose to be taxed as an employee or as a corporation; (2) Risk-subsidizing, meaning a tax system that encourages risk-taking; and (3) Risk-sharing, whereby the government's share of the loss increases with the tax. These results do not conform with what is observed in Sweden, where an increase in both average and marginal income tax negatively influences self-employment (Åsa Hansson, 2012).

## 5 Data and methodology

The papers compiled in this dissertation are empirically supported by analyses conducted on extensive databases provided by Statistics Sweden. In this thesis, I exploit both individual data and a business register. The business register is composed of variables describing the status, economic performance and activity of firms. For an entity or person to be included in the databases, they have to fulfill at least one of the following conditions: (1) Registered for VAT; (2) Registered as an employer; (3) Have a registered firm; or (4) Registered for business tax.

The individual-level data includes individuals aged at least 16 years old and registered in Sweden as of December 31 each year. The register covers socio-demographic and labor data for each individual. Both firm and individual data are collected and updated on an annual basis. Table 3 summarizes and defines the different variables included in the empirics of the four papers.

Table 3: Variable description

<b>Variables</b>	<b>Description</b>
<b>Demographic variables</b>	
Age	Age of the individual each year.
Gender	Individual's gender.
Education	The level of education, major and graduation year of the individuals.
Children	Parenthood and number of kids.
Region	The county of residence.
<b>Occupation variables</b>	
Occupation	A variable indicating the current occupation of an individual: Unemployed, student, employed, business owner. The occupation is determined based on the main income source of each individual.
Affiliated firm	Each individual with employment is affiliated to a firm. The affiliated firm is the firm with the major source of income.
Position	The hierarchical position at the working place. This variable is mainly used in the studies to distinguish managers from non-managers.
Wage	The yearly salary received from the main occupation defined based on the major income.

Continued on next page...

Table 3 – continued from previous page

<b>Variables</b>	<b>Description</b>
Income	Yearly dividends and capital profit collected by individuals.
<b>Firm characteristics</b>	
Firm size	Number of employees affiliated to the firm.
Firm status	The status of a firm indicates a shut-down, merge or a split as well as it allows to detect newly started ventures.
Industry	Industry code revealing the main sector of activity.
Region	The location of the firm (county).

### Restrictions applied to the data

For diverse motives, restrictions are applied to the data when running the empirical analyses in the studies. In the current section, I argue for the most relevant restrictions. These restrictions are not common to all four papers, yet they are important for some of them.

#### *Concerned population*

As the empirical work in the papers examines employee mobility, the individuals in the analysis are those who at a certain point in time during the observation period were employed or self-employed. In addition, age is used as an indicator to exclude individuals who are not full-time workers, such as students and individuals close to retirement (in accordance with von Greiff (2009)).

### *Industries*

By constraining the industries included in the studies to the service and knowledge-intensive industries, the two first papers of the thesis aim to present an empirical framework where the knowledge and ability embedded in the individuals defines the major source of value and interest. In addition, by imposing industry restrictions, the purpose is to avoid any sector where the costs of greenfield entry are limited and entry barriers in terms of capital intensity are high.

### *Firm size*

Depending on the study, both a lower and upper limit for firm size is defined for the new ventures. These limits aim to exclude ventures where the activity is not the main source of income for the individual and to account for firms creating new branches as new ventures.

## **Essential constructs**

### *Self-employment and new venture*

The term self-employment is frequently mentioned in this dissertation and can be associated with entrepreneurship. The identification of self-employment is based on the labor status and major source of income of the individual. Hence, in order to be classified as self-employed, an economic agent needs to be identified as an owner of a registered business and collect his or her greatest share of income from that particular business.

### *Mergers and acquisitions*

The identification of M&As is mainly based on the mobility of the employees. An acquisition or a merger is identified when the majority of the employees of one entity shift to another entity. The nature of this operation (merger or acquisition) is determined by the status of the involved and resulting firms. The complexity of the identification is accentuated by the fact that both mergers and acquisitions can be registered as a new firm with a new identification; therefore, as

a first step, I do not distinguish between mergers and acquisitions. In the data, three different scenarios based on the outcome of employee mobility lead to the identification of a merger or an acquisition. For simplicity, I refer to the operations as a merge.

(a) The shut-down of firms and creation of new firms

In this case, the result of a merge is a new firm being the product of the combination of two or more firms. The identification process is hence based on the nature of resulting firms and the mobility of employees.

Firstly, the resulting firms from the merge should be classified as new firms rising from a combination where at least one of the firms changes its status in the firm register to “merging”. The second step defines the involved firm and is based on the mobility of the employees. The firms are recognized as being the workplace of the employees at year  $t-1$  before their shift to the new firm.

In this scenario, more than 50% of the employees of the newly created firm emerge from the same initial firm, allowing us to recognize a “dominant initial firm”. The employees from the dominant initial firm then comprise the greatest share of employees in the new firm.

In addition, in order for a firm to be considered as part of the merge operation, at least 20% of its employees have to simultaneously shift to the new firm.

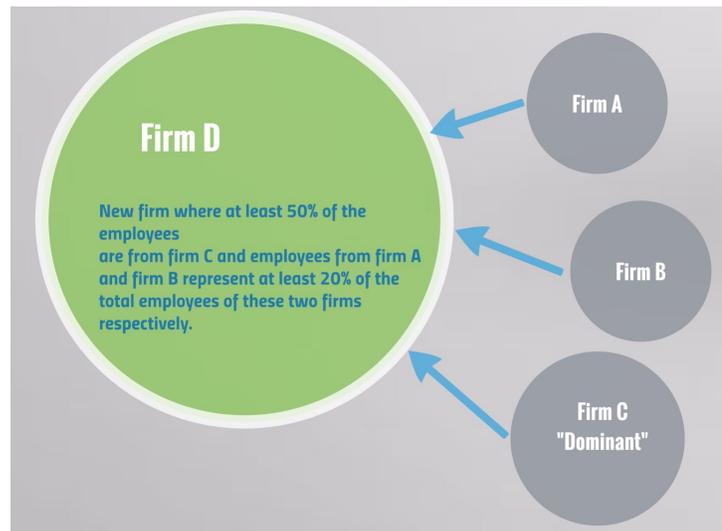


Figure 2: Illustration of scenario 1

(b) Two firms become one

This is the case of a combination between two firms where one is dominant. The outcome is not a new firm but the dominant firm, with both firms' employees. No changes are applied to the status of the dominant firm. The smaller firm (in terms of number of employees) of the two involved firms is put to an end and receives the status "shut down due to a merge" in the firm register.

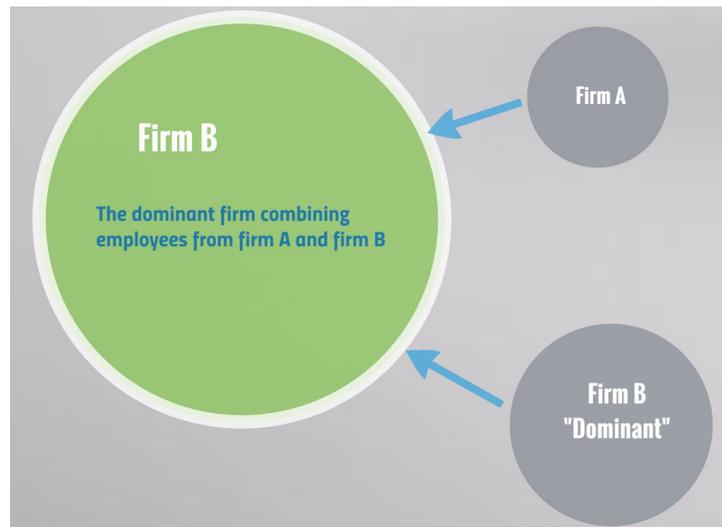


Figure 3: Illustration of scenario 2

The identification of this activity starts with the identification of the smallest company. The dominant firm does not reveal any obvious change other than possibly in its number of employees. After the merge, employees at the smaller firm will be employed at the dominant firm, and the smaller firm's status goes from "operating" to "shut down due to a merge".

(c) The shut-down and split of firms and creation of new firms

This scenario is a merge between firms where at least one of the initial firms is the result of a split and at least one is the result of a shutdown due to a merge. The outcome of the merge is a new firm. By identifying the firms shut down due to a split and the firms shut down due to a merge, the initial firms are distinguished by being linked to the newly formed firm

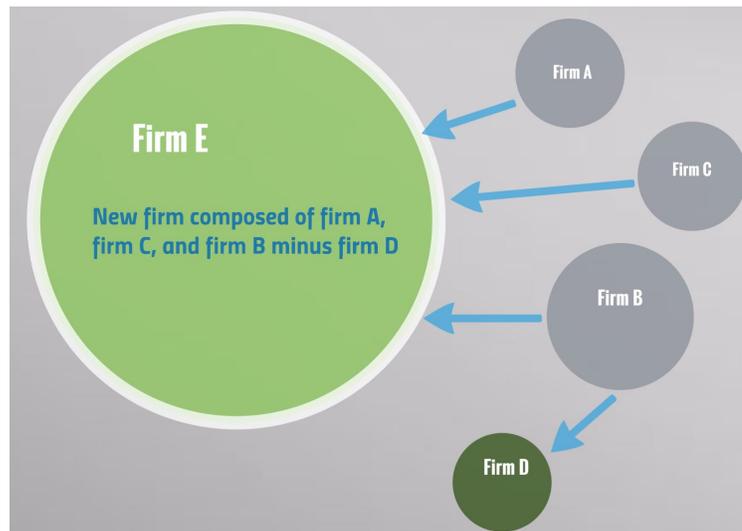


Figure 4: Illustration of scenario 3

### *Spin-outs*

In this thesis, a spin-out refers to a particular form of new venture and therefore conforms with the definition of self-employment presented above. A spin-out is simply a new venture founded by an individual shifting from conventional employment (paid employment) to self-employment. Hence, the difference between a spin-out and a new venture is that a spin-out is restricted to the new ventures launched by former employees. In addition, a spin-out as defined in this thesis is dissociated from the incumbent firm.

### **Methodology**

The research in this thesis is built on quantitative methods and econometric regressions. For each research question, the convenient methodology is applied.

A generalized structural equation modeling is applied to estimate the simultaneous outcome of M&As, the opportunity cost of entrepreneurship, the entrepreneurial spawning and the simultaneous relationship between industry concentration and M&As. The use of structural equation

modeling is not only appropriate for estimations in complex setups but is also increasingly employed in entrepreneurship research (Ireland et al., 2005).

Multilevel mixed effects is another regression model applied in this thesis. Such models are particularly convenient when dealing with variables at two levels of analysis as independent variables. Therefore, by applying a mixed-effect model to estimate the turnover of top managers post M&As, I account for fixed effects (individual level) and random effects (team level).

Another exploited methodology worth highlighting is the use of coarsened exact matching (CEM) in connection to the estimation of a treatment effect. Matching reduces the imbalances between the treated and untreated groups and adjusts the selection of the two groups such that the validity of the estimated causal effect increases (Blackwell et al., 2010). CEM relies on a monotonic imbalance bounding which implies (1) that the maximum imbalance between the treatment and control groups can be defined by the user rather than being discovered post estimations, and (2) that the maximum imbalance does not have to be identical for each variable (Iacus et al., 2009).

## 6 Summary of main findings

Employee mobility stands at the center of this compilation. The four research papers explore causes, types and outcomes.

Recent studies claim an increased transition into self-employment after disruptive events strike an organization. Using the extensive Swedish employer–employee matched data, we not only confirm the expected increased transition, but we also extend the results to cover the knowledge-intensive industry. In addition, we investigate the influencing forces behind the transition to identify the co-existence of both pushed and pulled forces, with a dominance of the pulled force.

Increased employee mobility can be an unfortunate outcome for M&As, when the main purpose of the operation is to acquire and retain the knowledge embodied within the employees – in particular, the managers. Applied analyses of the data reveal that the structure of the top management team before an M&A defines the mobility propensity of managers post M&As. The results suggest that the stronger the heterogeneity within the top management team, the greater its propensity to split up.

Further, I find that the motives for shifting from paid employment to self-employment and to start a new business determine the composition of the founding team. The results indicate that the heterogeneity of the founding team increases with necessity entrepreneurship. The findings in the third paper indicate that homogeneity dominates when forming teams, however the strength of the homogeneity is determined by the individuals networks. By opposing pushed and pulled forces, it is obvious that with an extension of the individuals network, the heterogeneity of the formed groups increase. Hence, the composition of these teams are mainly driven by the networks rather than the individuals preferences.

Finally, using the employer–employee matched data, we reveal that necessity entrepreneurship is rewarded with a wage premium on the labor market when returning to paid employment. This last study reveals a more positive valuation of self-employment compared with results highlighted in previous studies which we motivate by the conflation of high- and low-quality entrepreneurship.

In addition, we find that self-employment experience together with previous job-hopping has a negative connotations on the labor market unless it is within different industries (the negative connotation is offset when the job-hopping also allows for accumulation of industry experience). Furthermore, the observed self-employment reward on the labor market is found to be driven by job-sorting.

## **7 Implications and contributions**

The four research papers have distinctive implications and purposes, yet with an overarching scope. The discoveries and results of the studies can be viewed through three different lenses with particular implications.

### **7.1 Implications for research**

The drive behind the research is a detected gap in the literature and an unexploited research question. The aim with each paper is to fill this gap and thereby contribute to the scientific domain. Overall, the dissertation tackles gaps in the literature on new venture formation, top management team turnover, entrepreneurial teams and career choices from a labor market perspective.

First, the results suggest a distinction of the forces behind employees' spin-out as a response to an organization's reform, such as mergers and acquisitions. Employees' increased propensity to spin-out after mergers and acquisitions has been claimed in previous literature (see review in Klepper (2007)) and confirmed in the current dissertation with a contribution to the understanding of which processes dominate the decision to spin-out. The first paper reveals the co-existence of both pushed and pulled motivations for spinning off, with a minor dominance of the pulled effects. Although this is an important advancement for the literature, the major contribution, as I see it, is the acknowledgement of the existence of these two mechanisms (pushed and pulled) and the recognition of their association to the mobility of employees after an M&A.

Within the topic of employee mobility after M&As, top management literature emphasizes the importance of retention of the top management team during and after such reorganization, particularly in the high-tech and knowledge-intensive industries (Cloodt et al., 2006; Colombo and Rabbiosi, 2014; Graebner, 2004, 2009; Ranft and Lord, 2000). However, empirical studies point to an increased manager turnover post M&As (Cannella and Hambrick, 1993; Iverson and Pullman, 2000; Kiessling and Harvey, 2006; Krishnan et al., 1997; Krug and Harvey Hegarty, 2001; Lubatkin et al., 1999; Mikkelson and Partch, 1997; Walsh, 1988). The second paper of the dissertation proposes an alternative explanation for the turnover by emphasizing the role of the composition of the top management team and its diversity. This paper contributes with a justification to the observed turnover and stresses the relevance of the team aspect. Therefore, the results from the second paper introduce the team diversity discipline into the top management team studies.

Staying within the team diversity discipline, the third paper contributes with an interpretation of the formed team post M&As. The new venture literature emphasizes the importance of the founding team for performance and survival (Ely, 2004; Steffens et al., 2012; Van Der Vegt et al., 2005). The difference in new venture performance is particularly observed between pushed and pulled spin-outs (Andersson and Klepper, 2013; Rocha et al., 2015a). Despite the evident importance of the founding team structure, little is known about the processes behind the formation of these teams and even less is acknowledged with regard to the distinction between pushed and pulled ventures. I provide an explanation for this performance inequality by referring to the diversity of the founding team, suggesting that the settings and the purpose of the new venture define the structure of the team and explain the performance difference. I introduce an investigation of the underlying mechanisms and the process of team formation in pushed and pulled entrepreneurship. This study contributes to the new venture performance literature by borrowing arguments from the team diversity discipline and hence goes beyond the justification of the performance and survival differences of the pushed and pulled spin-outs to fuse the concepts of opportunity and necessity entrepreneurship with team formation and team

diversity. Hence, the essence of this paper is to explain the hidden process of team formation proposed to be the source of new venture performance and survival and to contribute to a better understanding of founding team formation.

Finally, the last essay is founded on the contradictory results when evaluating the earnings of self-employed individuals in subsequent paid employment (Bruce and Schuetze, 2004; Failla et al., 2017; Daly, 2015). By providing a more accurate measurement and methodology, the paper contributes with rigorous estimation of the labor market value of self-employment and hence suggests a development of the existing research. By accounting for the human capital and the level of engagement, new concepts are introduced and the puzzling outcomes of previous studies are rectified. The scientific contribution of this last paper is mainly through its recognition of the need for a more sensible empiric methodology to provide more accurate results and to further reduce the level of unobserved heterogeneity.

In addition to filling a literature gap, the manuscript proposes empirical refinement, nevertheless, by attempting to quantify concepts such as opportunity cost, and pushed and pulled entrepreneurship.

## **7.2 Implications for policy**

The initial driver behind the four studies in the thesis is the literature gap and the lack of convincing arguments and results to motivate observed circumstances. Nonetheless, to motivate the interest for these studies, the implications go beyond filling a gap in the literature to encounter pragmatic issues. The purpose is, then, not only to fill this gap but also to provide insights and awareness of implications of the studied topics for economic policies.

One crucial contribution to policies is related to the focus many states are putting on promoting self-employment with the intention to increase economic growth. The empirical part of this thesis is applied to data from Sweden, and hence the results obtained and the implications apply for Sweden. Here self-employment is considered as a career option where the individuals choose entrepreneurship as the job alternative with the highest estimated utility. For individ-

uals to make a rational choice, factors such as future income and career frame the decision. Taking into account these statements, the fourth paper investigates the future earnings from conventional employment of individuals with a short spell in self-employment. The results do not suggest a major advantage for these individuals compared to individuals who have not spent time in self-employment. This implies that programs promoting self-employment could benefit from arguments other than the economic advantage of self-employment. If economic incentives are not sufficiently strong to persuade individuals to become self-employed, other aspects could be more convincing.

### 7.3 Implications for practitioners

Employee turnover post M&As is an essential component of the thesis. The outcomes of these studies indicate an increased turnover of employees in association with a merger or an acquisition. Nevertheless, this turnover also comprises top managers and the top management team, thus proposing a contradictory effect to what is most often considered one of the ambitions of an M&A. Indeed, with a merger or an acquisition, the retention of the employees and, in particular, the top managers assures a smooth transition (Cloudt et al., 2006; Colombo and Rabbiosi, 2014; Graebner, 2004, 2009; Ranft and Lord, 2000) and retains knowledge within the firm (Buchholtz et al., 2003; Castanias and Helfat, 2001; Coff, 1999; Wulf and Singh, 2011). The findings in paper three invite better recognition of the top management team by the concerned firms, as the composition and diversity of these teams is a determinant for their turnover.

Moreover, there is a call for awareness about opportunities made available on the market post M&As, as these opportunities turn out to be a strong drive for employee turnover. In other words, as a great deal of the focus is put on reducing the factors pushing employees to leave a firm and start new ventures after M&As, the created entrepreneurial opportunities pulling the employees into self-employment have a stronger influence.

## 8 Limitations and future research

The aim of the thesis is to illustrate and contribute to the understanding of the mechanisms behind, and the consequences of, the flows of individuals post mergers and acquisitions and firm closures. This calls for further investigation with a focus on the nature and purpose of the strategic decisions undertaken by the firms. The ambitions with organizational restructuring or shutdowns might have an influence on the decisions, opportunity costs and mobility of the employees. In the studies comprised in the thesis, these triggering event are unjustifiably equally treated, and their purpose has not been the focal point. Therefore, this could be considered an opportunity for future research to distinguish the scope of the different forces studied and potentially contribute to a more detailed and extensive explanation of the observed trend.

In addition, a major argument in the thesis is based on the utility-maximizing choices that economic agents make – in particular, career choices. I attempt to measure and represent these choices by introducing quantitative proxies. However, these are just approximations of circumstances and attitudes justifying the decisions of agents, and thus only partially reflect the accurate motives behind individual decisions. Hence, for future research, these instruments could be developed further, and an inclusion of in-depth studies and surveys of the motives behind the decisions taken by the economic agents could be of interest and an extension to the current studies.

Moreover, on an aggregate level, the industry outcome of employee mobility post M&As and firm closure is a territory worth exploring.

## 9 Thesis outline

### **Essay 1. New Firm Formation in the Wake of Mergers and Acquisitions: Are Employees Pushed or Pulled into Entrepreneurship?**

This study investigates the relationship between mergers and acquisitions (M&A) and employee entrepreneurship in human capital-intensive service sectors. We investigate two sets of theoretical mechanisms. First, M&As may push employees entrepreneurship by lowering the average barriers of leaving the current employment (i.e. being associated with general deterioration of working conditions). Second, M&A activities may generate new entrepreneurial opportunities, which are first and foremost accessible by employees directly affected by M&As. Results on employee entrepreneurship in 3 039 Swedish firms during the time period 2000-2009 confirm that the number of firms spawned from a specific incumbent increases following an M&A. Push-oriented factors are found to contribute to this effect, but a dominating part of the total effect remains unexplained. This suggests that pull-oriented explanations of opportunity creation in the wake of M&As constitute an important avenue for further research on employee entrepreneurship.

### **Essay 2. Why Diverse Top Management Teams Break up in Post-acquisition Periods**

This paper proposes a complementary explanation behind the turnover of target's top managers in post-acquisition periods. Although human capital and acquisition implementation literature describe managerial retention as desirable, empirical studies have reported significant managerial turnover in acquisition of high-tech and knowledge intensive firms. Borrowing some insights from the team diversity literature, the paper examines the ex-ante diversity among top managers of knowledge-intensive and high-tech firms as an antecedent of their turnover in post-acquisition. We argue that diversity reduces the coordination efficiency necessary to transfer knowledge and facilitate post-acquisition organizational integration, and managers belonging to such teams are more likely to be replaced. Empirical analysis drawing on 2164 top managers in 297 Swedish firms

shows that managerial position diversity as a separation, pay disparity and industrial tenure diversity as a variety indeed are associated with managerial exit in three years after the acquisition.

### **Essay 3. Choosing your side-kick: Team diversity in pulled and pushed entrepreneurship**

Studies of entrepreneurship have demonstrated that the composition of the founding team plays a central role in determining the fate of new ventures. This paper discusses the founding team formation process. Specifically, tendencies to homophily in the formation of entrepreneurial teams, in terms of demographic and professional attributes, are studied through a comparison of which types of co-workers that engage in firm formation together under pulled and pushed entrepreneurship. Facing a general displacement because of firm closure, the number of possible team formation outcomes increases compared to the situation of pulled entrepreneurship. The difference in diversity between pulled and pushed teams may therefore be interpreted as reflecting the difference between team formation choices under greater or smaller constraints. Relying on Swedish employer-employee matched data covering the creation of new ventures during the period 2001-2011, the analyses reveal weaker homophily in founding teams launching a new venture under pushed circumstances (displacement after employer's shut down), in particular as regards demographic attributes. These results suggest that team diversity is inhibited by the homophily-induced limitation of founders' personal networks, rather than by active preferences for homophily in the team formation process.

### **Essay 4. The Labor Market Value of Experience from Temporary Self-employment**

This paper explores the evaluation of experience from self-employment on the Swedish labor market. Specifically, we analyze the wage remuneration of individuals moving from a spell in

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self-employment to regular employment as compared to a control group of individuals without such experience. To tackle the challenge of estimating the average effect of treatment, we seek to reduce unobserved heterogeneity across groups by only considering individuals moving into self-employment after being displaced in the context of employer exit, and setting up the control group to consist of individuals moving from the same exiting firms into new employment. To further ensure similarity on key observables with the treated group, we select the control group through coarsened exact matching. Our results demonstrate that the average treatment effect is positive. In further exploration, we find evidence suggesting that this effect is at least partially driven by self-employment experiences being positively evaluated for jobs requiring general and managerial skills rather than industry-specific expertise.

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