

# **THE ROLE OF EXIT FROM DISSATISFACTION IN ENTREPRENEURSHIP**

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A Dissertation presented to the Graduate Faculty of the University of Virginia in  
Candidacy for the Degree of Doctor of Philosophy in Business Administration

**The Darden Graduate School of Business Administration**

**University of Virginia**

April, 2019

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## Abstract

This dissertation consists of three papers that make the case for entrepreneurship as a mechanism of exit from dissatisfactory status quo situations. In the conceptual paper, I argue that entrepreneurs have a fundamental role in societal churn processes. In dissatisfactory status quos, Hirschman points out that we have three choices: exit, voice, and loyalty. However, I argue that choices to exit into are not automatically available and are a result of entrepreneurial action as individuals renegotiate or create alternatives to exit into. Then, I examine the relationship between dissatisfaction stemming from perceptions of injustice and intentions to become an entrepreneur. I show that perceptions of injustice, coupled with a lack of psychological attachment with existing structures pushes people to become entrepreneurs [empirical paper 1]. Finally, I connect dissatisfaction from exit to the opportunity construct that is central to the entrepreneurship literature and show that they complement each other [empirical paper 2]. I show that entrepreneurs typically frame their venture narratives as exit from dissatisfaction rather than the pursuit of opportunity and show that beginning with exit (vs. opportunity) leads to more concrete (vs. abstract) choices for action, fewer variations (vs. more) in terms of what to do, and more stakeholder engagement (vs. less). This dissertation contributes to the literature in entrepreneurship by arguing and showing that dissatisfaction is an important predictor of entrepreneurial intentions and that this construct complements the opportunity construct in the literature. I also contribute to the literatures in liberal political philosophy, economics, and voice in organization behavior by showing that the existence of entrepreneurial agency is central to their theorizations of exit, voice, and loyalty.

## Acknowledgements

This dissertation owes its existence and development to many people who have walked with me through this long journey. I would like to take this opportunity to thank Sankaran Venkataraman, who has been a great source of inspiration and calmness. I would also like to thank Ed Freeman for all our wonderful conversations and for his unstinting support. Bobby Parmar is a wonderful person to talk to: I counted extensively on his input and he is a huge part of how I was able to finish my dissertation. I also thank Dean for his confidence in me and for his valuable inputs in this work. Additionally, I am grateful to Andy Wicks for his support and Wendy Huber for being willing to talk on my behalf if I should ever need it. Finally, I deeply appreciate all the faculty, the courses, and the resources that Darden provided through this process.

I am also thankful to the Batten Institute Research Grant Program for their funding which supported all the data collection efforts in this dissertation.

This work would not be possible without the support of my family: my mother is my pillar of strength and my sister is my greatest cheerleader. My father is the reason I was able to finish this work and I dedicate this dissertation to him.

Finally, we began this journey as a small cohort of PhD students with a wide range of diversity and we are now at the end of the program as a small group of wonderful friends who I can count on and call on for anything. I am grateful you are in my life.

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# 1. Introduction

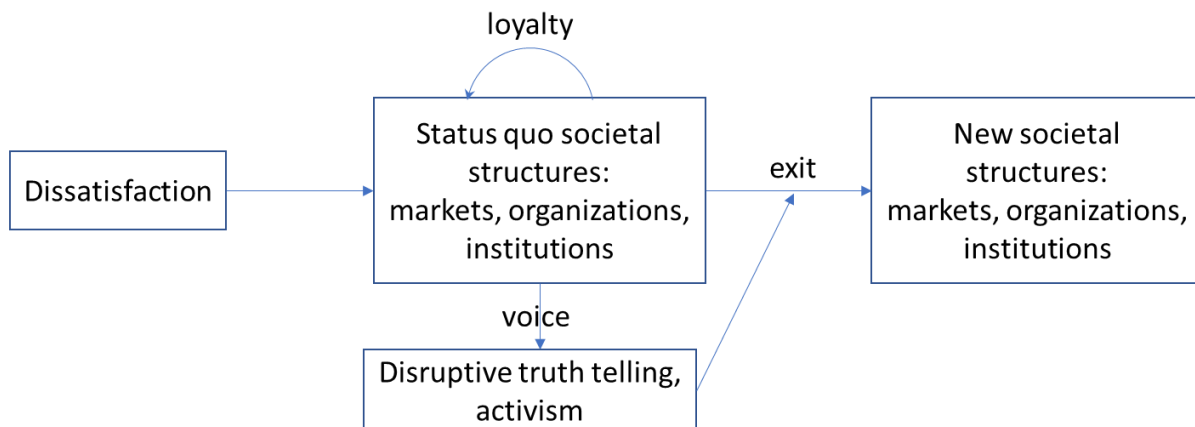
*“That was the beginning of it all. I never intended to become a moneylender. I had no intention of lending money to anyone. All I really wanted was to solve an immediate problem. Out of sheer frustration, I had questioned the most basic banking premise of collateral. I did not know if I was right. I had no idea what I was getting myself into. I was walking blind and learning as I went along.” – Mohd Yunus, Banker to the Poor (Pg. 48)*

The field of entrepreneurship is focused on “the study of how, by whom, and with what effects opportunities to create future goods and services are discovered, evaluated, and exploited” (Venkataraman, 1997). This statement has occupied scholarly interest for over two decades and has resulted in a large body of work that focuses on the individual who creates these future goods and services, the opportunity that is discovered, evaluated, and exploited; and the nexus between the individual and the opportunity (for recent reviews and critiques read Davidsson (2015), Wood and McKinley (2018), Shepherd, Wennberg, Suddaby, and Wiklund (2019)). In this dissertation, I examine this problem by taking a step back from “future” goods and services and focus on the current societal structures that the individual is embedded in. From this vantage point, I describe the systematic role of entrepreneurial action in effecting changes in society.

When an individual is dissatisfied with current organizations, institutions, or markets, she has three possible responses: exit, voice, or loyalty (ref. fig 1.1). In perfectly competitive markets, individuals use market processes to register their acceptance of status quo by staying loyal to the organization, institution, or product. They express their dissatisfaction to declining quality or inefficient practices either by expressing dissent, or by defecting to an alternate institution or product (Hirschman, 1970). These methods of registering dissatisfaction by expressing voice, threatening to leave, or actually leaving, causes the societal structure to



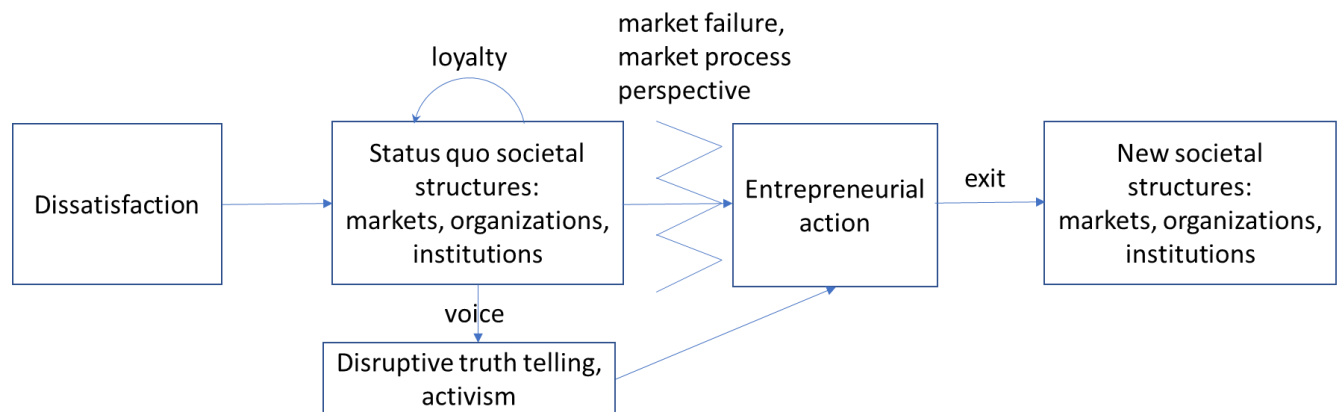
reevaluate and change the way it works and its processes. Under these conditions, exit is clinical, easy and costless to the individual since she is able to readily find other alternates to exit to (Hirschman, 1970). Voice, on the other hand, is difficult, and involves political processes. This conceptualization of exit, voice, and loyalty has been adopted by organization behavior literature and has resulted in an extensive literature on the antecedents, processes, inhibitors, and consequences of voice behavior in organizations (Bashshur & Oc, 2015). This stream of literature acknowledges that the availability of options to exit to is an important predictor of voice behavior (Burris, Detert, & Chiaburu, 2008; Farrell, 1983; McClean, Burris, & Detert, 2012). However, it assumes that these options to exit into are already available and that securing these options are a function of the individual's skill and ability (Bashshur & Oc, 2015).



**Figure 1.1: Exit, voice, loyalty, and societal churn processes under perfect competition**

However, when we begin with the process perspective of markets (Kirzner, 1997), or by examining conditions of market failure (Dean & McMullen, 2007; Grimes, McMullen, Vogus, & Miller, 2013; Miller, Grimes, McMullen, & Vogus, 2012), the individual's choices under dissatisfaction are: remain loyal or express dissent. If they choose to exit however, there are no options for them to readily exit into. These options to exit into have to be created by enterprising

individuals so that they and others in the dissatisfactory status quo situation can leave (Venkataraman, 2002) (ref figure 1.2). In these conditions, exit is not clinical and costless; it is highly political and is the most difficult choice to make since it is the choice that causes the most disruption in the person’s life (Borchers, 2012). This notion of exit as difficult and political has been most extensively studied in liberal political economics (Borchers & Vitikainen, 2012). Even this stream of literature however, assumes that the choices to exit to are automatically available and the availability and ability to exit depends on freedom, and the equality of rights in society (Kukathas, 2003; Kymlicka, 1992; Okin, 2002).



**Figure 1.2: Exit, voice, loyalty, and societal churn processes under market failures or from a process perspective**

In this problem space where markets do not readily exist or have failed, the entrepreneur has a fundamental role to play in creating choices for individuals to exit into. Under these conditions, then, theorizing about exit is not useful when there are no options to exit into (Venkataraman, 2002). Entrepreneurs have a fundamental role to play in this process: they create, discover, and exploit choices for themselves and others. From this perspective, entrepreneuring is central to the societal changes. Entrepreneurship begins with dissatisfaction with the status quo and results in the creation of entrepreneurial artefacts as the individual strives

to exit the status quo (see figure 1.2). In this dissertation, I elaborate on this idea of entrepreneurship.

## **1.1 Dissertation overview**

This dissertation consists of three papers. In the conceptual paper (Chapter 2), I argue that entrepreneurs have a fundamental role in societal churn processes. In dissatisfactory status quos, Hirschman points out that we have three choices: exit, voice, and loyalty. However, choices to exit into are not automatically available and are a result of entrepreneurial action as individuals renegotiate or create alternatives to exit into. Then, in Chapter 3, I examine the relationship between dissatisfaction stemming from perceptions of injustice and intentions to become an entrepreneur. Finally, in Chapter 4, I connect exit from dissatisfaction to the opportunity construct that is central to the entrepreneurship literature and show that they complement each other.

In the conceptual paper in Chapter 2, I begin with poignant problems that are seeming tragedies and the mechanisms that individuals use to come out of these tragedies. These problems are studied in the entrepreneurship literature under the rubric of social entrepreneurship. The social entrepreneurship literature has been focused on delineating a distinctive domain for the study of the field. This has led to the investigation and description of the uniqueness of the social entrepreneur and the accounts of the unique problems that social entrepreneuring entails. In this paper, I argue that poignant problems are dissatisfactory status quo situations and show that social entrepreneurial processes are the mechanisms through which individuals exit out of these seeming tragedies. In order to do so, I synthesize literature from economics, liberal political philosophy, voice literature in organizational behavior, and social

entrepreneurship, and show that social entrepreneurial processes are central to creating choices when firms, institutions, and states are in decline. The social entrepreneurial process begins with dissatisfaction, is escalated through voice, continues by renegotiating value with existing stakeholders leading to incremental changes via weak exits, and culminates in reimagining and recreating stakeholder value to create new firms, institutions and states through strong exits.

In Chapter 3, I examine the relationship between dissatisfaction stemming from injustice and entrepreneurial intentions. Injustice is an important predictor of exit to alternate jobs, expressing voice, and exit into entrepreneurship. Given that expressing voice and finding alternate employment are easier choices compared to becoming an entrepreneur, I examine the conditions under which perceptions of injustice leads to intentions to become an entrepreneur. In Study 1, I show that injustice, perceptions of futility within the current organization, and a lack of psychological attachment with the organization, is more likely to push the individual into entrepreneurship compared to exerting voice, or finding alternate jobs. In Study 2, I nuance the relationship between injustice and entrepreneurial intentions: I conduct an experimental study to show that individuals who face injustice, but consider that they have personally been treated fairly, choose to become entrepreneurs.

Chapter 4 examines the relationship between the exit construct and the opportunity construct. Opportunity is the central construct that distinguishes the field of entrepreneurship from other academic fields. While there have been over 235 papers that debate, refine, and measure opportunity, there have also been significant criticisms and gaps to theory building that call for a re-examination of opportunity. In this paper, I offer entrepreneurship as exit from dissatisfactory status quos as a construct that is complementary to this notion of opportunity. Using data from PSED II, surveys, and narratives, I show that entrepreneurs are more likely to

begin from a position of dissatisfaction rather than the pursuit of opportunity. Then, I show that framing a problem as a dissatisfactory status quo rather than an opportunity significantly impacts how the entrepreneurial process unfolds. Priming the individual to think about dissatisfaction (vs. priming her to think about opportunity) leads to more concrete (vs. abstract) choices for action, fewer variations (vs. more) in terms of what to do, and more stakeholder engagement (vs. less). Together, these studies show that the exit perspective complements the opportunity perspective of entrepreneurial action and merits further examination and study.

Through these papers, I hope to show that focusing on the embedded nature of the individual in current societal structures allows us to reexamine the relationship between entrepreneurial processes and societal change. I also hope to make a case for the fundamental role of entrepreneurial processes in creating exit choices. Finally, I hope to argue that reframing entrepreneurship as exit allows us to (a) systematically engage with entrepreneurship that has broad change potential and (b) unify different motivations for entrepreneurship such as wealth creation, emancipation, poverty alleviation, and social change.

## **2. Exit, Voice, Loyalty and Social Entrepreneurship**

### **2.1 Introduction**

Human beings face social problems that are seeming tragedies including poverty, deforestation, terrorism, ground water depletion, and climate change. Yet, they routinely come out of these tragedies and build better lives for themselves and others (Ostrom, 2015). From the perspective of an individual, entrepreneurship has a key role to play in solving these social problems (Austin, Stevenson, & Wei-Skillern, 2006; Cohen & Winn, 2007; Dean & McMullen, 2007; Markman, Russo, Lumpkin, Jennings, & Mair, 2016; York & Venkataraman, 2010). And, as the uncertainty involved in creating such solutions increases, the entrepreneur who is relatively unencumbered with past organizational logics and business models becomes more and more suited to solving such problems (Cohen & Winn, 2007; Parrish, 2010; York & Venkataraman, 2010). Problems of these kinds are studied under the rubric of social entrepreneurship within the entrepreneurship literature. And, within this stream of literature, the role of the entrepreneur has been defined as the creation and discovery of (social) opportunity (Choi & Majumdar, 2014; Mair & Marti, 2006; Miller et al., 2012; Thompson, Kiefer, & York, 2011). The social entrepreneur, however, has another more ubiquitous role in society— she creates options for exit from seeming tragedies for herself and/ or others in society by creating new or alternate societal structures to exit into. In order to understand this role of the social entrepreneur, in this paper, we synthesize the exit literature from liberal political philosophy and economics to argue that (a) exit is central to social entrepreneurship and (b) the social entrepreneur is inevitable for exit to be viable and feasible in a society.

Social entrepreneurship is considered a market based solution to social change and social issues (Mair & Marti, 2006). These market-based solutions are usually envisioned as Schumpeterian changes and literature has shown that these solutions are created by forming new organizations, changing or adapting to institutional structures and logics, and/or modifying institutions and legislations. We know a lot about the antecedents to social entrepreneurship i.e., market failures (Cohen & Winn, 2007; Zhao & Lounsbury, 2016), motivations of individual entrepreneurs (e.g. passion, compassion, altruism) (Grimes et al., 2013; Miller et al., 2012) , and creative modes of organizing social ventures (Dorado & Ventresca, 2013; Kent & Dacin, 2013; Khavul, Chavez, & Bruton, 2013; Mars & Lounsbury, 2009; Zhao & Lounsbury, 2016). We also know about the consequences of social entrepreneurship: social change, emancipation, autonomy, and social value creation (Mair & Marti, 2006; Markman et al., 2016; Rindova, Barry, & Ketchen, 2009). However, we know very little about the necessary and systematic role of social entrepreneurship in the churn processes that are central to the creation of new social arrangements.

To build our argument, we synthesize the literature from Hirschman, the OB literature on voice, the exit literature in political philosophy, and the phenomenon of social entrepreneurship. Hirschman (1970) argues that exit, voice, and loyalty are the only possible responses to organizational and societal decline and renewal. In a well-functioning market, he shows that exit to other comparable alternatives is the easiest choice to make but argues that this outcome is destructive to an organization's survival and growth. This line of thinking has led to the over-emphasis on voice as the only constructive response to organizational decline and individual dissatisfaction (see for instance: Bashshur and Oc (2015) for a recent review of voice literature that builds on this stream of literature). However, exit is essential for the functioning of a market

and for the effective functioning of voice as a feedback mechanism (Burriss et al., 2008; McClean et al., 2012).

In order to understand this constructive nature of exit, we turn towards political philosophy. Within liberal political philosophy, the ability to exit associations and situations that individuals cannot be a part of is considered the very basis of freedom (Borchers & Vitikainen, 2012): Individuals can and will get out of associations that they cannot bear to be part of. However, neither political philosophy nor the streams of literature that follow Hirschman address the issue of where these new choices come from or how they come into being. Instead, the availability of outside options - and perhaps the hidden assumption that they will be spontaneously created - remains a critical crutch that modern theories of political arrangements and economic theories of markets rely upon. Yet, in order to exit the current societal status quo, choices to exit to have to be created and designed in the first place <sup>1</sup> and theorizing about the ability to exit is, in fact, meaningless when there are no options to exit to (Holzleithner, 2012; Okin, 2002). The entrepreneur has a fundamental role to play in the creation of these outside options for themselves and others in society and the entrepreneurial process is central to creating changes in societal structures (Venkataraman, 1997). This conceptualization of the entrepreneur suggests a more systematic role for the entrepreneur as creating exit options in societal structures of all kinds.

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<sup>1</sup> See also Ostrom, V. (1999). [Polycentricity (part 1). In Polycentricity and local public economies: Readings from the workshop in political theory and policy analysis (pp. 52-74). Ann Arbor: University of Michigan Press] for a critique of “spontaneous” order and the necessity to design new societal arrangements



These kinds of problems that impact societal structures are the basis of social entrepreneurship. Social entrepreneurs are embedded in their current situation and attempt to solve especially poignant human problems (Elkington & Hartigan, 2008; Leadbeater, 1997) under conditions of market failure (Cohen & Winn, 2007; Mair & Marti, 2006). This process begins with a dissatisfaction within current social arrangements i.e., the recognition that the societal structures they are in are unjust and therefore not acceptable. This is the problem space that Hirschman (1970) describes. While rooted in dissatisfaction with the current human condition, the social entrepreneur has to fuse multiple different market and institutional logics to create social ventures (Kent & Dacin, 2013; Zhao & Lounsbury, 2016). Further, since there is no well-functioning market (Cohen & Winn, 2007), the individual has no readily available alternatives to choose from and has to create societal structures that help her and other stakeholders exit the current unacceptable status quo. This leads us to describe the fundamental role of the social entrepreneur as the provision of mechanisms of exit in societal churn processes (Venkataraman, 1997).

In reframing the social entrepreneurship question in terms of exit, we are able to shift the focus of social entrepreneurship from the description of the anomalous nature of the social entrepreneur and the entrepreneuring process (Choi & Majumdar, 2014; Leadbeater, 1997; Zahra, Gedajlovic, Neubaum, & Shulman, 2009) and envision a more fundamental role for social entrepreneurs in societal churn processes. Describing social entrepreneurship in terms of exit also allows us to engage with the idea that entrepreneurship is essential to create changes under conditions of organizational and societal decline. Further, the availability of entrepreneurship as an exit option provides individual agency and allows her to reconsider how and when to exert voice and leave to take up alternate employment, thus expanding the choices that the individual

in an organization has. Finally, we contribute to the literature on political philosophy and economics by showing that social entrepreneurs are essential to their theorizations about exit.

## **2.2 Literature review**

### ***2.2.1. Social entrepreneurship***

Social entrepreneurship is a market based method to solve seemingly intractable and often poignant social issues (Mair & Marti, 2006; Miller et al., 2012). The field of social entrepreneurship is relatively new and is pre-paradigmatic and is therefore focused on understanding the domain and seeking legitimacy for the field (Nicholls, 2010). In an area where scholars are not certain if a definition of social entrepreneurship is possible (Choi & Majumdar, 2014) or even necessary (Dacin, Dacin, & Matear, 2010), scholars tend to focus on the differences between commercial ventures and social ventures (Austin et al., 2006; Estrin, Mickiewicz, & Stephan, 2013, 2016; Kibler, Wincent, Kautonen, Cacciotti, & Obschonka, 2018; Mendoza-Abarca, Anokhin, & Zamudio, 2015), in order to carve out a space both theoretically and empirically for the social entrepreneurship domain.

There is a dynamic relationship between social and commercial entrepreneurship. Social and commercial ventures do not necessarily need different kinds of individuals. It only requires that individuals focus both on social value creation in addition to commercial value creation (Di Domenico, Haugh, & Tracey, 2010; Moroz, Branzei, Parker, & Gamble, 2018). Social and commercial ventures compete for the same kinds of resources which leads to a competitive dynamic relationship between commercial and social ventures (Mendoza-Abarca et al., 2015) that can both promote commercial entrepreneurship (Estrin et al., 2013) and inhibit it in low income countries (Mendoza-Abarca et al., 2015). Social ventures create societal change (Calas,

Smircich, & Bourne, 2009) and offer frameworks for market exchange that commercial entrepreneurs can follow (Estrin et al., 2013; Mair & Marti, 2006). In general, the social entrepreneur faces more complex problems since the antecedents, consequences, and opportunities of social entrepreneurship are often a balancing act between multiple institutional structures and logics, varying motivations, different groups of stakeholders, and a multiplicity of goals (Markman et al., 2016; McMullen, 2018; Miller et al., 2012; Zhao & Lounsbury, 2016).

The antecedents to social entrepreneurship involve multiple intertwined motivations. Social entrepreneurs begin with the need to alleviate others suffering and therefore their motivations are not completely described by selfishness and self-interest and includes pro-social motivations such as compassion and empathy (Arend, 2013; Bacq & Alt, 2018; Grimes et al., 2013; Miller et al., 2012). This also contributes to the distinctiveness of the social entrepreneur since pro-social motivations in commercial entrepreneurs increases their stress levels and reduces subjective well-being and life satisfaction (Kibler et al., 2018). These pro-social motivations are mediated by social self-efficacy (Bacq & Alt, 2018; Hockerts, 2017) and a sense of communal self-worth (Bacq & Alt, 2018). However, pro-social motivations that help distinguish the social entrepreneur also creates a sense of entitlement and in the long term prevents the entry of commercial entrepreneurs (McMullen & Bergman Jr, 2017) and reduces firm emergence especially when the product or service is completely new (Renko, 2013).

Individuals involved in organizing social ventures blend multiple institutional logics (Dorado & Ventresca, 2013; Jennings, Greenwood, Lounsbury, & Suddaby, 2013; Mendoza-Abarca et al., 2015; Zhao & Lounsbury, 2016). These result in complex hybrid organizational structures (McMullen, 2018) with dual identities (Moss, Short, Payne, & Lumpkin, 2011) that encompass both social and commercial purposes (Moroz et al., 2018; Stevens, Moray, &

Bruneel, 2015). These organizations have less leveraged capital structures (Siqueira, Guenster, Vanacker, & Crucke, 2018) and have multiple targeted beneficiaries (Miller et al., 2012). In straddling multiple logics, the social entrepreneur focuses on her identity to help bridge tensions between these various institutions and stakeholders in order to make sense of and understand the social opportunity (Fauchart & Gruber, 2011; Miller & Wesley, 2010; Wry & York, 2017).

The entrepreneurial opportunity which is the central construct in entrepreneurship (Venkataraman, 1997) also takes on an added dimension of social value creation (Di Domenico et al., 2010). The social opportunity is created by the interactions of multiple groups of stakeholders (Corner & Ho, 2010) engaged in improvisation and social bricolage (Di Domenico et al., 2010). The nature of social entrepreneurship calls for a more conscious inclusion of the community in the opportunity (Branzei, Parker, Moroz, & Gamble, 2018) and this added complexity leads the entrepreneur to focus on performance measures and identity as a means of seeking legitimacy and structuring the organization (Conger, McMullen, Bergman, & York, 2018; Grimes, 2010). Understanding the social enterprise through traditional performance measures is not possible since these measures in social ventures are malleable and unclear (André, Cho, & Laine, 2018). This is both due to the complexities of motivations, stakeholders, and opportunities in the social venture and due to the varying outcomes such as poverty alleviation (Alvarez & Barney, 2014; Sutter, Bruton, & Chen, 2019; Tobias, Mair, & Barbosa-Leiker, 2013), emancipation (Chandra, 2017; Jennings, Jennings, & Sharifian, 2016; Rindova et al., 2009), empowerment (Datta & Gailey, 2012), and alleviation of suffering (Miller et al., 2012).

In creating these multi-faceted organizations, social entrepreneurs are considered to be living the dream as they free the society from the shackles of restrictive institutions and

organizations (Chandra, 2017; Jennings et al., 2016; Rindova et al., 2009) and poignant situations of abject poverty (Mair & Marti, 2009; Tobias et al., 2013). The social entrepreneurs role is therefore considered to be transformative (Tobias et al., 2013) and filled with rhetoric of heroes and villains (Ruebottom, 2013). Yet, the focus on delineating the nature of the social entrepreneur and her organization as different from the commercial venture obscures the essential and much more mundane role that the social entrepreneur plays in the process of societal churn.

In order to begin this conversation about the importance of social entrepreneurial processes in societal churn and to understand the inevitability of social entrepreneurship in societal structures, we reframe the function of the social entrepreneur as the provision of exit choices from the current status quo for themselves and other stakeholders (Venkataraman, 1997). In order to develop this argument, we begin by characterizing social entrepreneurship as a process of social change (Calas et al., 2009; Rindova et al., 2009) that stems from a dissatisfaction with the status quo institution or organization that the social entrepreneur is embedded in (Grimes et al., 2013). Focusing on the process of understanding the responses to dissatisfaction or decline in current societal structures allows us to theorize about mechanisms while acknowledging that the entrepreneur has complex motivations (such as compassion, empathy, and self-interest) that lead to societal outcomes that are often significant and desirable (such as emancipation, reduction of suffering).

### ***2.2.2. Churn in societal arrangements***

Hirschman (1970) was the first to model multiple possible responses to organizational and societal decline and dissatisfaction. He was interested in identifying the causes of lapses and dysfunctionalities in firms, organizations, and institutions that arise from general decay or

random accidents that occur within the normal functioning of institutional structures (Hirschman, 1970, p. 1). He was concerned with “repairable lapses” that are inevitable in institutional structures over a period of time (Hirschman, 1970, p. 1). Individual responses to such dissatisfactions are the mechanisms through which the firm, organization, or institution learns about its shortcomings and failures. This in turn leads to changes as (a) the organization, firm, or institution renews itself from within (Hirschman, 1970, p. 1) or (b) new organizations, firms, or institutions are created through entrepreneurial action (as we will show later in this paper). We term these processes through which institutions change from within or through entrepreneurial actions as societal churn processes. These societal churn processes can either lead to further decline and decay of societal structures, may result in more efficient structures, or lead to the creation of new ones depending on the behavior and actions of actors within the organizations and individuals in the broader society (Farrell, 1983).

Hirschman (1970) argues that loyalty, voice, and exit are the only possible responses to dissatisfactory status quo conditions of declining organizations, firms, and broader institutions. In order to make his case, he examines a typical relationship in a well-functioning competitive market (Chapter 2 of *Exit, Voice, and Loyalty*): the dyadic relationship between the consumer and the firm. He studies the interplay of exit, voice, and loyalty from the perspective of the consumer while she is making choices about which product to buy. A consumer buys a product from a firm as long her needs are met. If she is dissatisfied, she expresses it by either (a) exit: not buying the product anymore and finding an easily available alternative, (b) voice: by criticizing the management or the product or the social structure, lobbying, signing petitions and protesting so the product is made better, or (c) loyalty: not doing anything and hoping that the problem will go away.

Hirschman defines loyalty as an individual's less than rational, though far from irrational decision to stick with the declining organization or institution and participate in the organization or institution's policies and practices and "suffer in silence, confident that things will soon get better" (Hirschman, 1970, p. 38). In spite of dissatisfaction, the individual may decide to be loyal because of various reasons including buying history and a higher threshold of tolerance. Voice is another response to organizational and societal decline and is an articulation of an individual's critical opinion through a range of options ranging from "faint grumbling to violent protest (Hirschman, 1970, p. 16). Voice is messy and political and requires that the individual be willing to engage with her peers, subordinates, and/ or supervisors to effect change from within (Bashshur & Oc, 2015). Voice is an attempt to change from within rather than escape from the dissatisfactory status quo, which Hirschman articulates as exit (Farrell, 1983). Exit is the decision to leave or switch products and is a powerful signal for the institutional structure that something needs to change (Hirschman, 1970, p. 21).

In a well-functioning competitive market with easily substitutable goods, exit is the easiest choice – it is clinical and non-confrontational. Voice is more difficult and is costlier since the consumer has to make an effort in order to protest or express her dissatisfaction in some way. Both voice and exit are moderated by loyalty to the status quo: Individuals are less likely to express voice or exit if they have a high loyalty towards the product and/or organization. In competitive markets, individuals can exit market relationships for more favorable ones if they are not satisfied. A well-functioning market is undergirded by the notion of free (or less costly) exit mechanisms that ensure that the individual can choose to consume goods and services that she likes and can afford. Hence, exit is the easiest choice to make and the very idea of a free competitive market rests on the freedom to choose which goods or services to consume. In these

cases, exit serves as a signal to the firm that the organizational quality is declining i.e., if the firm is unable to stem the flow of exit, the organization or the association eventually fails. However, when the good is non-substitutable, or public, or if the firm is a monopoly, the consumer finds it difficult to exit the market relationship.

Voice is a political response to organizational decline. When the good or service is not of acceptable quality, the consumer can choose to protest, sign petitions, express criticisms, engage in lobbying and other means of gaining the management's attention without ending the transactional relationship with the firm. This form of responding to organizational decline is likely to occur when exit is infeasible or costly due to the lack of choices or because of loyalty to the product or the firm. If the firm is unable or unwilling to act on voice-based feedback, then it eventually declines (1970, p.23). Voice and exit are alternate responses but they do not occur in isolation (Chapter 3, Exit, Voice, and Loyalty). Consumers also use an interplay of voice and exit to encourage firms and societies to improve their quality. Finally, the threat of exit or the threat of starting a large-scale protest also serve as deterrents to organizational and societal decline.

### ***2.2.3. Exit as a destructive choice***

Hirschman's arguments about exit can be interpreted as destructive from the perspective of the organization. When a consumer terminates her relationship with the firm, she is not willing to engage with the firm in order to improve its quality. Voice, on the other hand, has been interpreted as a constructive choice (Bashshur & Oc, 2015; Burris, Rockmann, & Kimmons, 2017; Detert & Edmondson, 2011; Maynes & Podsakoff, 2014; Morrison & Milliken, 2003). Registering protests and providing feedback allows a firm to improve its product quality in order to ensure customer satisfaction. This interpretation has led to various streams of literature that



focus on how to make sure that various stakeholders are able to stay within the organization and express their opinion instead of having to leave the organization (Farrell, 1983). Organization behavior (OB) has the largest literature on the role of voice in organizations.

The OB literature uses Hirschman's definition of voice and defines it as "directed to a higher authority and intended to bring change or improvement to an existing, objectionable state" (Bashshur & Oc, 2015). The voice process is political and messy and involves interactions and negotiations with multiple individuals across the organizational hierarchy (Hirschman, 1970). In addition to voice, exit, and loyalty, scholars in this field also use neglect to explain the possible responses to organizational dissatisfaction (Farrell, 1983). Exit and neglect are considered destructive responses, and voice is considered a constructive response to dissatisfaction. Both exit and voice are moderated by loyalty and organizational tenure (Farrell, 1983; Hirschman, 1970). Exit is typically operationalized as employee turnover and employee's intention to quit and is considered a negative outcome for the organization (Bashshur & Oc, 2015; Burris et al., 2008; McClean et al., 2012). This has led to a growing stream of literature that has over 1000 papers (Bashshur & Oc, 2015) that describes the kinds of voice behavior, its antecedents and reception, and how to structure organizations to promote employee voice.

Voice is considered an extra-role behavior and is generally disruptive to the status quo (Tangirala & Ramanujam, 2008; Van Dyne & LePine, 1998). It has many positive organizational outcomes ranging from feedback, whistle-blowing, process control, and general organizational improvement (Burris et al., 2017; Maynes & Podsakoff, 2014; Milliken, Schipani, Bishara, & Prado, 2015; Morrison & Milliken, 2003; Morrison, Wheeler-Smith, & Kamdar, 2011; Van Dyne & LePine, 1998). Expressing voice in the workplace can have positive effects that extend beyond the work-place and enables fruitful engagements in other domains that the individual

interacts in (Milliken et al., 2015). However, employees are often fearful (Lebel, 2016) and feel unsafe (Kakkar, Tangirala, Srivastava, & Kamdar, 2016) and therefore do not voice their dissatisfaction. This has led to a conceptualization of voice as prohibitive i.e., prevents harm and promotive, i.e., encourages change with varying antecedents (Kakkar et al., 2016; Li, Liao, Tangirala, & Firth, 2017; Liang, Farh, & Farh, 2012; Lin & Johnson, 2015; Wei, Zhang, & Chen, 2015) that depend not only on the status and fear perceptions of the voicer but the receptivity and mood of the voice receiver i.e., the manager (Fast, Burris, & Bartel, 2013; Liu, Song, Li, & Liao, 2015) and peers (Liu, Tangirala, et al., 2015; Wei et al., 2015). This stream of literature focuses on conditions that enable voice such as emotional regulation of the self (Grant, 2012), emotional support of peers (Liu, Tangirala, et al., 2015), and receptivity of the leaders (Lebel, 2016; Liu, Song, et al., 2015).

Structurally, the employee's centrality in the network ensures that their voice is heard (Howell, Harrison, Burris, & Detert, 2015; Venkataramani, Zhou, Wang, Liao, & Shi, 2016). Individuals who have achieved more status and who are more supportive of the organization are rewarded for voice behavior whereas others are penalized for voicing their objection (Burris, 2012). Therefore, individuals self-censor themselves at work (Detert & Edmondson, 2011) and tend to speak up only when they consider their perspective as socially desirable (Wei et al., 2015). This results in silence that is destructive in most cases (Bashshur & Oc, 2015; Morrison & Milliken, 2003)<sup>2</sup> or eventually psychological disconnect and exit from the organization (Burris et al., 2008; Farrell, 1983; McClean et al., 2012).

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<sup>2</sup> See Stouten, Tripp, Bies, and De Cremer (2018) for an exception that describes the value of silence when the status quo is objectionable

However, from the perspective of the individual in a free market situation, when there are no alternate choices in the market, the individual is likely to be dealing with a monopolistic firm or a non-substitutable good for which she has no alternative. Under these conditions, she has no way to register protest under conditions of declining quality (Hirschman, 1970). In an employee – organization relationship, an individual in a dissatisfactory situation is less likely to express voice if she has no means alternate job options or means of exit (Burriss et al., 2008). In other words, when there are no exit alternatives, the individual in Hirschman’s framework and in the OB literature is trapped.

The assumptions made in this literature are: (a) that exit is destructive and (b) that there is a well-functioning market. They assume that the individual is choosing between pre-existing choices in a well-functioning market. This leads them to conclude that voice is political and difficult whereas exit (or the threat of exit) is easy, non-confrontational, and clinical. This in turn, allows them to focus on how to make the voice process within the organization or the existing institutions more robust. Yet, without the availability of exit, the voice process is not functional. Therefore, exit is both necessary and useful to the individual, the organization, and the market irrespective of whether she decides to exercise the right to exit or not. In order to understand the role exit plays in social arrangements, we now turn to the literature on liberal political philosophy, which has the most robust notion of exit.

#### ***2.2.4. Exit as a constructive choice***

Political philosophers also adopted Hirschman’s framework of exit, voice, and loyalty and expanded the choice that the individual is confronted with in order to understand what the basis of liberal democracy is. Faced with associations and social arrangements individuals do not want to be a part of, they can either choose to exercise voice or exit. Loyalty also plays a very

important role in determining whether an individual will leave a particular social arrangement or not. In this more inclusive choice situation, exit is the most difficult choice since it represents a discontinuity in the life of the individual. It requires that the individual give up the way and means of life that she has been living in and has become used to (Borchers & Vitikainen, 2012). Broadly, in the face of declining (or dissatisfactory) social arrangements and organizations, liberal philosophers argue that individuals have rights to dissent, and that dissent is only viable and useful when they have a realistic right to leave the social arrangement (Borchers & Vitikainen, 2012).

The idea of exit as a constructive choice is most well-developed in this stream of literature. It stems from the notion that individuals can and will leave associations that they are dissatisfied with. From a liberal perspective that is based on individual autonomy, the right to exit is the right to repudiate authority and is imperative since it provides a mechanism to fight oppression and coercive authority (Borchers, 2012). Exit, however, provides the maximum discontinuity in the person's life since the individual has to create a new life after exiting the society and the way of life that she is familiar with and is therefore is a difficult choice to make.

Scholars in this tradition have a variety of views on the importance and nature of exit. The most controversial view is that of Kukathas (2003) where he argues that the right to exit is the only maximal indicator of individual freedom and any other rights attached to this minimal exit principle are coercive and prevent individual autonomy. He argues that individuals might not be willing to bear the costs of exiting their familiar lives and therefore choose to remain in their current situation, however oppressive and authoritarian the situation is. This, he suggests, is a legitimate choice, however disheartening it might sound. Yet these choices and actions do not

negate the importance of the idea of exit as central and an ideal worth fighting for, since the only other alternative in this view is coercion by the State (Kukathas, 2012).

Other scholars in this tradition have more moderate views in this regard. In their arguments, they do not dispute the importance of the notion of exit. However, they do not consider the minimal exit principle i.e., defending the right to exit associations, sufficient to secure freedom (Borchers & Vitikainen, 2012; Holzleithner, 2012; Okin, 2002). They argue that the right to exit does not automatically provide the ability to exit. This gap between the right and ability to exit leads these scholars to look for ways to secure equal rights of exit. These scholars argue that ensuring minimal exit is not useful since it favors the richest, the strongest, and the majoritarian groups in society. Therefore, they make a case for differing rights and affirmative action for non-majoritarian groups such as natives, tribes, and women (Kymlicka, 1992; Okin, 1999, 2002). This, they argue, at least makes the exit path viable to these minority groups. They look to the State to secure these rights and provide other mechanisms that make the right to exit viable and useful (Holzleithner, 2012).

However, the idea of an extensive state is problematic to the liberal political philosopher since it is in direct contradiction to the notion of autonomy that is their core central value. Yet there seem to be no alternatives to the State within the field of political philosophy that can secure exit rights. This leaves Kukathas and defenders of a minimal political state in an apologetic position where on the one hand they argue for non-intervention of the state with no authoritarian rule and on the other hand, they are unable to envision a viable alternative to the state to secure mechanisms for exit. Therefore, while the literature on political philosophy makes a case for exit as a central construct, it also recognizes problems with the construct since it favors

the majoritarian groups in society. This stream of literature therefore requires a more invasive for the State to secure exit rights.

While political philosophy has expanded on the nature of choice that individuals are faced with in social arrangements, they also share the economists' and the OB scholars' assumptions that the market of what to exit to already exists. They assume that when individuals decide to make the choice to leave, a "better" or more palatable societal arrangement already exists for them to exit into. In other words, the individual is assumed to be choosing among a fixed choice set of varying levels of risk that includes their current situation as one of the choices. When the choices are assumed to be fixed, then the nature of the problem the individual faces becomes one of providing equal opportunities of exit, and of articulating the differences in circumstances in terms of gender or minorities that decrease the probability of exit. In political philosophy, this has led to whole streams of literatures on feminism and multiculturalism (Kymlicka, 1992; Okin, 1999, 2002) that lists the nature of difficulties different groups face while considering exit options and the role that the government has to play in eradicating these differences. In OB on the other hand, it has led to the creation of formal and informal mechanisms within organizations that can improve the expression of voice (Klaas, Olson-Buchanan, & Ward, 2012). Yet, both these streams of literature do not explain where the options to exit into come from.

This leads us to the question of how exit options are created when there are no markets or government legislations i.e., under conditions of market failure. In order to do so, we go back to the problem space of the social entrepreneur which is rooted in market failure and examine the construct of opportunity proposed by Venkataraman (1997) as the "scholarly examination of how, by whom, and with what effects opportunities to create future goods and services are

discovered, evaluated, and exploited”. Starting with this definition of entrepreneurship, the social entrepreneur is able to change status quo by “providing future goods and services” that do not exist. In order to do so, the entrepreneur engages in a process of arbitration of dissatisfactions or anomalies among various stakeholders in the organization or the societal structure (Venkataraman,1997). As the arbitration process unfolds, successful arbitration leads to the creation of exit choices for the entrepreneur and her stakeholders. We explain this process in more detail in the following section.

### **2.3 The role of exit in social entrepreneurship**

Individual responses to societal change are classified into voice, exit, and loyalty. In the process of creating social changes, individuals engage with these responses and when none of them work, they create options to exit into. The social entrepreneur begins by confronting a market failure or by recognizing that a market does not exist. Exit here is not clinical or non-confrontational since there is no ready choice that the entrepreneur can exit to. More precisely, when there are no options to exit to i.e., there is no well-defined market, when voice does not work, and when the status quo becomes unacceptable, creating opportunities for exit is an entrepreneurial response to dissatisfaction with the status quo. In creating these opportunities for exit, the entrepreneur creates “future” goods and services so that they become viable options for the individual and for others to choose from (Shane & Venkataraman, 2000).

Further, the availability of exit choices is what makes the exercise of voice, loyalty, and exit to other existing options viable and tangible. Voice literature shows empirically that in the absence of alternatives to exit to, the individual is less likely to dissent and express voice in the organization (Burriss et al., 2008; McClean et al., 2012). In political economics, the availability

of exit options is considered fundamental to the notion of freedom (Borchers & Vitikainen, 2012). Therefore, the availability of these exit options is the basis of societal churn processes and the social entrepreneur plays a fundamental role in society: she creates these opportunities for exit that undergirds the societal churn process.

Social entrepreneurship, in this conceptualization, is a response to market failure (Dean & McMullen, 2007; Miller et al., 2012). Under conditions of market failure, when the individual is dissatisfied with the status quo, the individual embedded in an institutional setting does not have the opportunity to exit to comparable alternatives since there are none. Under these conditions, the interplay of voice and loyalty leads to four possible responses: loyalty to the existing status quo, exercising voice, and two kinds of entrepreneurial exit responses. Entrepreneurial exits can take the form of appealing to the existing societal structures to change. We label these as weak entrepreneurial exits. Entrepreneurial exits can also take the form of creating de-novo institutions, organizations, or legislations. We call these strong entrepreneurial exits. These four responses are depicted in Figure 2.1 and we now explain each quadrant in more detail.

	<b>Strong loyalty</b>	<b>Weak loyalty</b>
<b>Strong voice</b>	2. Escalation. Exit not attractive. Express voice	3. Weak exit. Incremental change of existing structures
<b>Weak voice</b>	1. Status quo. Exit (and voice) not attractive.	4. Strong Exit. New organizational forms or entities, new institutions, legislations
<b>Entrepreneurial response</b>		

*Figure 2.1 Possible responses to organizational and societal decline under conditions of market failure*



### ***2.3.1. Possible responses to organizational and societal decline under conditions of market failure***

Individuals who choose to remain in dissatisfactory status quos are usually characterized by strong loyalty to the organization or societal structure (Hirschman, 1970). In these conditions, individuals who have a long tenure in the current organization (Bashshur & Oc, 2015), have low status and power (Howell et al., 2015; Liu, Tangirala, et al., 2015), and women (Howell et al., 2015; Okin, 2002) are often unwilling to “rock the boat” and change this status quo. Therefore, individuals in this quadrant also have a weak propensity to exert voice within the organization or leave and choose instead to stay in the unjust situation. This leads to our first proposition:

***Proposition 1:*** Under conditions of market failure, individuals with high loyalty and weak voice, are more likely to *remain* in a dissatisfactory status quo.

However, individuals with strong commitment to the organization and derive their identity from the organization (Loi, Hang-Yue, & Foley, 2006; Meyer, Stanley, Herscovitch, & Topolnytsky, 2002) have a strong sense of loyalty but are also aware that the organization benefits because of feedback and information from employees and stakeholders (Bashshur & Oc, 2015; Burris et al., 2017; Morrison & Milliken, 2003). Therefore, individuals in this quadrant have high levels of loyalty and high propensity to exert voice. In political economics, this takes the form of voting. Stated as a proposition:

***Proposition 2:*** Under conditions of market failure, individuals with high loyalty and strong voice are more likely to exert voice to from *within* existing societal structures.

However, because of fear of repercussions (Lebel, 2016), manager condemnation (Burris, 2012; Fast et al., 2013), bystander effects (Hussain, Shu, Tangirala, & Ekkirala, 2018), or

generally ineffective structural constraints (Bashshur & Oc, 2015), this information is either skewed towards positive feedback or not acted upon, if received. Therefore, the institution or organization does not alter too much and dissatisfaction that the individual faces is not alleviated.

When the inequities of the unjust status quo are not alleviated from within the organization, the individual typically leaves to find alternate employment or other products when there is a well- functioning market (Hirschman, 1970). Under conditions of market failure however, there is no alternate product/ or market to exit into and therefore, the individual exits by either appealing for change from existing institutions or by creating de-novo structures that become the basis of a new status quo. In either case, market failures require entrepreneurial processes to change the status quo. This process of exit has been alluded to in Venkataraman (2002). In this work, exit is described as the basis of the entrepreneurial process and the reason for the creation of new firms and institutions.

Exit is difficult since it requires that the individual leave all things that are familiar to her and begin something new. Therefore, it does not happen in a discrete step but usually takes the form of an escalation of commitment to change the status quo in a satisfactory manner. Exit is typically represented by weak loyalty to existing institutions and organizations because the individual recognizes that exerting voice from within the existing structures does not work. She identifies that there is an ignorance of the situation or an unwillingness to change within existing structures. The individual therefore realizes that she has to recombine pieces of the existing institutions in new ways by arbitrating among existing stakeholders to create different value propositions for stakeholders (Venkataraman, 2002). This process requires that the individual be willing to express her opinion and beliefs to multiple stakeholders and arbitrate among them to create an incrementally new organizational structure or institution. In political economics, this

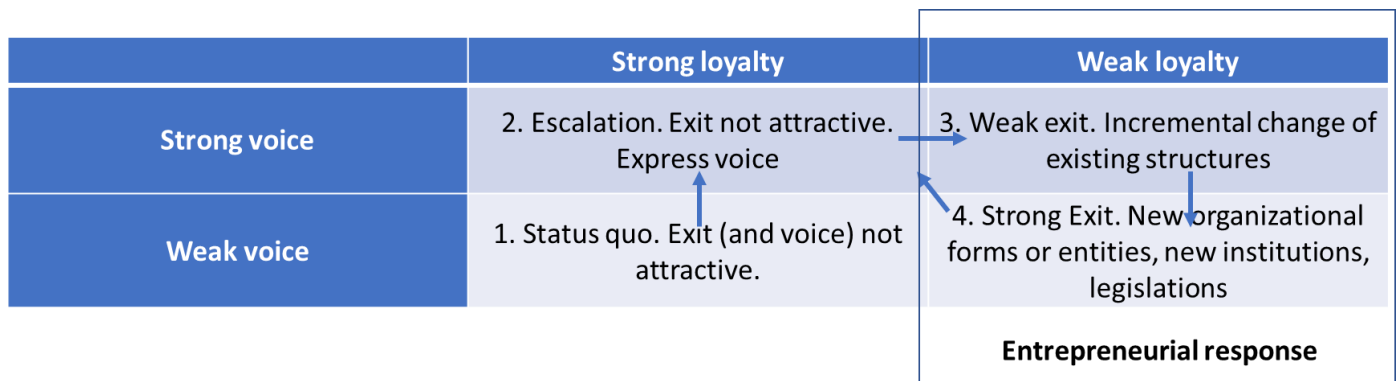
takes the form of reform. At the individual level, the role of the entrepreneur includes recombining existing dispersed pieces of information and disseminating it to the various stakeholders in the organization. Stated as a proposition:

***Proposition 3:*** Under conditions of market failure, individuals with low loyalty and strong voice are more likely to engage in arbitration processes with *existing* stakeholders whom they already have a relationship with, in order to come out of dissatisfactory status quos

However, often, the inequities, dissatisfaction, and injustice accumulate to such an extent that the existing institutions and organizations are unable and unwilling to recognize and understand the nature of the unacceptable status quo. In open ended conceptualizations of the economy, this is described as the inability of existing institutions to come to a condition of equilibrium. Under these conditions, in political economics, usually society goes through a period of revolution or revolt. At the level of the individual, the outcome is not so dramatic but usually takes the form of creating de-novo societal structures in a Schumpeterian gale of creative destruction or continuous construction. The role of the entrepreneur is to exit the current status quo by recognizing new stakeholders, creating new forms of value creation, and creating new forms of arbitration that the new set of stakeholders see as a sufficiently different and useful value proposition (Venkataraman, 2002). This form of exit is usually the most difficult and is typified by weak loyalty to the existing structures and a recognition that appeals and protests within the existing structures do not work. This leads to the next proposition:

***Proposition 4:*** Under conditions of market failure, individuals with low loyalty and weak voice are more likely to engage in arbitration processes with *existing and new* stakeholders to come out of dissatisfactory status quos

Inherent in this 2x2 is a process perspective of societal churn. Dissatisfied individuals can start in any quadrant in the figure and move to other quadrants based on their actions and interactions. Voice requires that the individual engage with higher-ups in the organization or community and represents an escalation of commitment to change the status quo. Weak and strong exit show the progression of the escalation of commitment to exiting the dissatisfactory situation by appealing to existing structures to change or by creating de-novo structures. We illustrate these responses in Figure 2.2 in which we show that the interplay of strong and weak loyalty and strong and weak voice result in exit, voice, and loyalty responses.



**Figure 2.2 Process Model - Possible responses to organizational and societal decline under conditions of market failure**

Next, we describe this process model that escalates into creating de-novo organizational forms or strong exits. In order to do so, we use Grameen bank as an example. Grameen Bank is an iconic case-study (Yunus, 2007) used in social entrepreneurship and serves to illustrate the process of moving from loyalty to voice and exit into entrepreneurship.

## 2.4 The Grameen Bank story- The process perspective of exit into entrepreneurship

Mohammad Yunus and Grameen Bank received the Nobel Peace Prize in 2006 for efforts to create economic and social development that helped people break out of their vicious circle of

poverty. Mohammad Yunus with the development of Grameen bank showed that even the poorest women could own and create their own mechanisms to come out of the poverty cycle given the right institutional structures. To do so, Grameen Bank was created as a micro-credit bank that lent money to groups of women in Bangladesh. Here, we describe the early story of the creation of Grameen Bank as described in the book “Banker to the Poor” by Mohammad Yunus (Yunus, 2007) and showcase that Yunus’ journey stemmed from dissatisfaction with his status quo in Bangladesh and culminated into exit into entrepreneurship.

#### ***2.4.1. Status quo: Famine and the Vicious Poverty Cycle***

Mohammad Yunus always thought of himself as a teacher (p.19). He wanted to learn and to educate students and in order to do so, he decided to pursue a PhD in the United States with a scholarship. After teaching for a while in the US, he decided to return to Bangladesh to engage with nation building after the Bangladeshi war (p.30-31) but he later decided to quit and become the head of the Economics Department in the Chittagong University (p.31). His vision for a university was that it is a repository of knowledge that is able to help the community (p. 31) and therefore he became engaged in the neighboring villages. He saw that the lands around the university were barren and the reason they were not being cultivated was because the villagers had no money or water to irrigate the lands and feed their families (p. 31). He found that people were dying in the vicious cycle of famine and poverty and decided this was an unacceptable situation for himself and for his country (p.31-32). This was the status quo that Mohammad Yunus faced.

This dissatisfactory status quo is characterized by high loyalty and low voice and changing this status quo requires changing either the level of loyalty to the current organizational structures or expressing dissent or protest or appealing to these structures to change. The social

entrepreneurship literature acknowledges this as the basis of opportunity through action. In this literature, status quo that we describe here is the current embedded state of the social entrepreneur and is the basis of the creation and discovery of opportunity (Grimes, 2010). An individual is rooted in the current network of societal arrangements and her actions are based on the set of options available to her. In other words, social opportunities begin in an unacceptable status quo characterized as a poignant problem (Miller et al., 2012) at the nexus of the individual, her environment, and the larger community (Alvarez & Barney, 2014; Alvarez, Barney, McBride, & Wuebker, 2017; Branzei et al., 2018; Shane & Venkataraman, 2000; Venkataraman, 1997; York & Venkataraman, 2010). Stated as a proposition:

***Proposition 5:*** The social entrepreneurial process begins with status quo situations that individual(s) perceive as a dissatisfaction rather than with an entrepreneurial opportunity

#### ***2.4.2. Escalation: Statements to the Press and Disseminating Information***

This situation of famine and abject poverty around an institution of learning was unacceptable to Yunus. He felt that the function of the university was to be a repository of knowledge and help disseminate this knowledge to the local community (p. 31). And therefore, he developed a series of student projects to understand what the community of Jobra looked like and the causes of their poverty (p. 31). Since he identified himself as a professor and an educator, with the help of his students he decided to first understand what the famine in Bangladesh looked like and the extent of poverty in the community (p. 31).

When he observed patterns of poverty in neighboring villages, his first response was to go to his colleagues and voice his protest (p.33). Other colleagues were willing to sign his petition for change but were not willing to engage with it further (p.33). Other universities joined

the cause as well but were not willing to do anything substantial about it (p.33). Therefore, he decided to understand the problem in greater detail with the help of his students and to engage in efforts to bring the academic world and the community together (p.33). He eventually discovered that the petitions did not make much of a difference to the villagers' situation and had to figure out alternate means of change. He experimented with irrigation practices and worked with his students to understand the definitions of poverty and the practices of the villagers that kept them within their cycle of poverty (p. 34-38) and still continued to think of ways to educate both the community and the other academics about the actual problem.

As the status quo became unacceptable, Yunus exerted voice to escalate the problem such that multiple groups of stakeholders – the villagers, the larger community, academics, and politicians were aware of the destitute poverty in Jobra. Given his core identity as a professor and his past experiences as an educator, he continued to focus on education and dissemination of information as a means of societal churn. Through this he understood both (a) the complexity of the problem and (b) that he had to act, in order to change the situation. In other words, loyalty with the existing institutional structures did not serve him and he had to be willing and able to exit from this societal structure by finding new ways of arbitrating with stakeholders in order to exit the status quo.

The entrepreneurial process begins when the individual either changes her levels of loyalty or exerts voice in order to exit the status quo. Since exit is difficult, it is often easier to exert voice and change the structure from within. Social entrepreneurship recognizes that the problems that the social entrepreneur faces are often complex (Leadbeater, 1997), require multiple institutional logics (Zhao & Lounsbury, 2016), and requires that the individual be willing to change or transform their core identity to accommodate a more complex and abstract

conception of themselves (Borchers, 2012; Fauchart & Gruber, 2011; Moss et al., 2011; Wry & York, 2017). This stems from the need to justify the discontinuity that leaving the current set of institutional structures brings to the individual's life. Exiting the current structure requires that the individual reduce or rethink their commitment to the existing societal structures in order to recombine difficult, often complex human problems. Scholars have argued that identity helps bridge these multiple often conflicting institutional logics and defines how the social entrepreneur organizes and creates the new venture (Wry & York, 2017). This identity transition stems from the individuals' declining loyalty to the existing status quo and wanting her voice to be heard. And yet, the individual prefers to exert voice and express dissent before taking the plunge into becoming an entrepreneur and facing discontinuities in their life. This leads to the following proposition:

***Proposition 6:*** Individuals perceiving dissatisfactory situations are initially more likely to express voice to change the status quo from within existing societal structures rather than create or find mechanisms of exit

### ***2.4.3. Weak Exits***

When he realized that exercising voice and signing petitions was not enough, Mohd Yunus decided to go around the village of Jobra with his students and collect data in order to understand their inability to break out of the poverty cycle (p.39). Eventually, he decided to loan a small sum of twenty-seven dollars to the villagers and while he understood how easy it was to help, he realized that this was neither sustainable nor a systematic solution (p. 43). Therefore, he decided to approach a bank and ask if they would loan the money to the villagers but they were unwilling to do so unless he could personally guarantee the loan (p. 47). It took about six months to get the actual loan after Yunus wrote multiple letters to the various stakeholders in the bank



(p. 47). He was finally granted the loan but in reflecting on this, Yunus reiterates that he never wanted to be a moneylender (p. 47). He simply wanted to solve a problem and out of sheer frustration he studied the banking system and found a central problem with the premise of the banking system that kept the people who needed the money the most without the means of borrowing money (p. 47). He felt an overwhelming sense of injustice with the archaic nature of the system and therefore decided that guaranteeing loans that the poor would repay was a start in changing the nature of banking (p. 47).

Therefore, he found himself running a bank for the poor without wanting to or knowing how to do so (p. 50). He figured out that it was better to lend to groups of women since they would help each other with ways to repay the loan, monitor each other's progress, and encourage each other to work in order to pay back his money (p. 52). He along with his ex-students staffed the bank and he was still holding a job as a full-time professor (p. 70). Through this pilot he was able to show that over 98% of his debtors repaid the loan and this repayment rate was better than those who borrowed with collateral (p. 47). When he took the results of this successful pilot to the directors of the Agricultural Bank and the Central Bank, their attitudes were skeptical and patronizing. They refused to believe that such a project was possible in the long run and that the project would eventually be scalable (p 72-74).

The social enterprise is defined by a central purpose and mission (Moroz et al., 2018). Since the social entrepreneur straddles multiple institutions, and stakeholder demands, a strong purpose helps organize stakeholders to work in building the enterprise. This strong purpose is created from dissatisfaction with the injustice in the current situation that the individual is embedded in. As the entrepreneur has a unique insight into how to change this unjust situation (Venkataraman, 1997, 2002), she describes this value proposition to various stakeholders within

existing structures and through a process of arbitration revises the value proposition so as to incrementally change the societal structure by changing the rules a little. We describe this process as weak exits and argue that this is facilitated by weakening loyalty to existing structures and by exerting voice i.e., disseminating information and the insights gleaned based on experiences, and showing what does not work in the current system. This leads to the following proposition:

***Proposition 7:*** When individuals are unable to come out of dissatisfactory situations by expressing voice from within existing societal structures, they are likely to engage in social entrepreneurial processes to create incremental changes i.e., create weak exits.

#### ***2.4.4. Strong Exits***

The patronizing and condescending attitudes of the bankers to Grameen's successful pilot convinced Yunus that he would have to give up his job as a University professor in order to work on creating a bank for the poor (p. 74). During this time, the bank expanded to Tangail (p. 81) and grew by tweaking its business model to serve the needs of poor Islamic women (p. 86). The growth of the bank was opposed by political and religious leaders (p. 86) but Mohd Yunus learned to overcome these objections village by village. However, existing banks were still not willing to put in resources to fund the bank and therefore, Yunus decided to use funds from the Ford foundation and the International Fund for Agricultural Development to grow as its own entity a bank for the poor that was owned and managed by them. This decision to create a new form of banking system completed his transition into entrepreneurship.

Exits cause discontinuity and disruptions in the person's life and therefore is a difficult decision to make (Borchers & Vitikainen, 2012). In the case of social entrepreneurship, the

problems that the entrepreneur deals with are poignant and emotional. She has to deal with multiple economic logics and straddle both the institutional and the individual level. Therefore, the decision to create a de novo societal structure is not simple. This is reflected in the difficulty in theorizing about and understanding why and how an individual would be able to take up a problem as big as poverty or climate change (Austin et al., 2006; Dacin et al., 2010; Leadbeater, 1997; Mair & Marti, 2006). In this paper, we address this gap by formulating the de novo creation of a new social enterprise not as a discrete step but as a culmination of a series of interplays between strong and weak loyalty and voice to a state characterized by low loyalty to existing institutions and ineffectiveness of voice-based interventions and actions.

In other words, strong exit is an option that an individual engages in when she is unable to effect change through exerting voice within the societal structure and by engaging in arbitration processes with existing stakeholders. Under these conditions, recombining stakeholder value propositions is not enough and the individual identifies new stakeholders and integrates them into the stakeholder network. This involves a change in the individual's identity, a change in stakeholders' understanding of what the purpose of the organization is and what its value proposition is. This is clearly illustrated by Yunus' story of the Grameen bank. This radical change in purpose and value proposition requires a de-novo firm or institutional structure that is developed in order to test these ideas and experiment within (Venkataraman, 2002). This firm, or structure that is solely created for this purpose serves as information for current stakeholders, serves to calibrate performance, and eventually becomes the basis of competitors' actions (Dew, Velamuri, & Venkataraman, 2004; Venkataraman, 2002). Stated as a proposition:

**Proposition 8:** When individuals are unable to come out of dissatisfactory situations by making incremental changes, they are likely to engage in social entrepreneurial processes to create radical changes i.e., create strong exits.

#### ***2.4.5. The entrepreneuring process and the cycles of voice-loyalty-weak exits, and strong exits***

So far, the Grameen Bank story explains how an individual transitions through each quadrant in the 2x2 in Figure 2.2. Mohammad Yunus never wanted to be an entrepreneur or a banker. He wanted to solve the problem of poverty (status quo – quadrant 1) and he had no idea if what he was doing was right (p. 48). He had the unique insight that the availability of credit at nominal interest rates was critical to break the cycle of poverty (p. 48) and would provide them and their family choices. Yet, nobody was willing to engage with him in solving this problem (escalation – quadrant 2) and existing credit structures such as banks were unwilling to include the poor in their lending portfolio. This status quo was unacceptable and when appeals to existing banks did not work (weak exits – quadrant 3), Yunus decided to leave his job as a professor in order to create the Grameen Bank that lent solely to groups of poor women in Bangladesh (strong exits – quadrant 4). This, in turn, created a pathway for exit for the Grameen borrowers:

*“This is the beginning for any Grameen Bank borrower. All her life she has been told that she is no good, that she brings only misery to her family, and that they cannot afford to pay her dowry. Many times she hears her mother or father tell her that she should have been killed at birth, aborted or starved. To her family she has been nothing but another mouth to feed, another dowry to pay. But today, for the first time in her life, an institution has trusted her with a great sum of money.” - Mohd Yunus, Banker to the Poor (Pg. 52)*

The creation of Grameen bank was an exit pathway to exit the vicious cycle of perpetual poverty.

This bank has eventually grown into a series of micro-lending organizations that compete with each other to lend money to the poor. It has become so successful that it now has its own series of problems (Allison, McKenny, & Short, 2013; Kent & Dacin, 2013; Mair & Marti, 2009) such as lack of replicability of the Bangladeshi success story because of institutional and structural problems. As the inequities accumulate, this eventually leads to another cycle beginning with dissatisfaction and moving through periods of loyalty, voice, and exit by entrepreneuring individuals in order to create the next series of structures to better combat poverty.

## **2.5 Discussion**

In this paper, we develop a framework to understand and study the role of social entrepreneurs as fundamental to the societal churn process. We begin with Hirschman's responses to organizational decline and dissatisfaction and argue that under conditions of market failure, entrepreneurial action is the basis of creating choices for the individual and others to exit into. Social entrepreneurs confront market failure, and cycle through all or part of the process of staying loyal to the status quo, expressing voice or dissent, engaging with existing social structures with a view to changing them, and creating new social structures so that they and/ or others can exit into them. This process of weak or strong exits suggests a fundamental role for the social entrepreneurial process as undergirding social change processes.

This paper contributes to the social entrepreneurship literature by arguing and showing that the social entrepreneur undergirds social change processes and creates institutions, organizations, and markets that solves poignant human problems. The social entrepreneuring process, we show, begins with dissatisfaction, and as the individual seeks to come out the dissatisfactory status quo,

social entrepreneurial processes allow her to change existing social structures or create new structures. This framing allows us to begin focusing on the systematic processes and the role of social entrepreneuring as the basis of societal churn processes.

We also contribute to the entrepreneuring as emancipation literature in which the individual is described as seeking freedom and wants to escape or find ways out of oppressive situations (Chandra, 2017; Jennings et al., 2016; Rindova et al., 2009). While prior research has shown that entrepreneuring as emancipation allows us to describe entrepreneurship with broad change potential, research in this stream has focused on differentiating it from opportunity entrepreneurship and understanding the differences between emancipation in different environmental conditions. Framing the entrepreneurial problem as mechanisms of exit from dissatisfactory status quo situations allows us to systematically describe the process of entrepreneuring that has broad change potential including but not limited to non-traditional outcomes such as emancipation and poverty alleviation.

We also complement the stream of literature on activist entrepreneuring that is defined as disruptive truth telling as a means of overcoming the limitations of dominant collective imagination (Dey & Mason, 2018). This conceptualization of activist entrepreneurship is loosely related to voice behavior in OB literature and is represented by the escalation quadrant in our process model where there is a heightened awareness of the problem with the status quo that is described here as the orthodoxy or dominant collective imagination and a recognition that there are advantages to changing it. The transformation of this status quo, however, requires more than disruptive truth telling: it requires that the social entrepreneur be willing to engage in re-negotiating value propositions with existing stakeholder groups or changing the stakeholder configuration, which in turn results in weak or strong exits, respectively.

We trespass into and draw heavily from two disparate streams of literature: voice in economics and organizational behavior (Bashshur & Oc, 2015), and exit from liberal political economics (Borchers & Vitikainen, 2012). The voice literature describes a process of expressing dissent within organizations and examines the antecedents and consequences of doing so. In describing these voice processes, scholars assume that if their voice is not heeded, the actor, usually the employee, is able to leave the organization and find other jobs. Similarly, liberal political economics begins with the premise that the ability to exit associations that are dissatisfactory is the basis of freedom. This right to exit stems from the no-right of any individual or collective to coerce anyone else to remain in particular associations. Yet, both these streams of literature rely on the crucial assumption that the choices to exit to are readily available. In other words, they assume that the entrepreneurial process that underpins societal churn exists and functions. By articulating the fundamental role of the social entrepreneur, we bring this assumption to light and extend Hirschman's conceptualization of exit, voice, and loyalty to non-competitive market settings where choices to exit to do not automatically exist and require entrepreneurial agency.

## **3. Exit to Entrepreneurship as a Response to Perceptions of Injustice**

### **3.1 Introduction**

Dissatisfaction with the status quo is considered an important motivation for entrepreneurship (Brockhaus, 1980; Jennings & Brush, 2013; van der Zwan, Thurik, Verheul, & Hessels, 2016; Walsh & Bartunek, 2011): Individuals who question the dominant paradigm of prevailing organizations (Cliff, Jennings, & Greenwood, 2006), or have an internal dissonance based on what they think the reality ought to be and what actually is (Valliere, 2013), are more likely to be entrepreneurs. Yet, individuals who are dissatisfied with the status quo are also more likely to express voice to register their objection or leave their jobs to find alternate ones (Bashshur & Oc, 2015; McClean et al., 2012; Morrison & Milliken, 2003) . As Hirschman pointed out (Hirschman, 1970), individuals have multiple possible responses to dissatisfaction with the status quo: staying loyal, exercising voice, and exiting to alternate arrangements. Among all these choices, exit causes discontinuities in the person's life and is therefore probably the most difficult choice to make (Borchers & Vitikainen, 2012; Kukathas, 2012). In this paper, we examine the choice to exit into entrepreneurship in the light of all these available choices and answer the question: under what conditions does an individual choose to exit to entrepreneurship in order to come out of a dissatisfactory status quo.

Dissatisfaction is usually a result of comparing with an alternate counter-factual self and identifying things that are missing in the current situation (Obodaru, 2012). At the individual level, job contexts play an important role in the intention to start ventures (Learned, 1992). Negative experiences in the current job (Dubini, 1989; Dyer Jr, 1995) makes the individual seek



a way to escape the job to found a new venture (Gartner, 1989). These negative experiences can take the form of: glass ceilings, pay gaps, lack of alternate opportunities, lack of career growth, lack of autonomy and freedom, and unfair boss and coworker relationships (Dubini, 1989; Dyer Jr, 1995; Jennings & Brush, 2013; Shabbir & Di Gregorio, 1996; van der Zwan et al., 2016; Walsh & Bartunek, 2011). At the societal level, dissatisfaction can take the form of dissonance with the way systems such as democracy work which in turn impact intentions to start businesses (Noorderhaven, Thurik, Wennekers, & Van Stel, 2004). These dissatisfactions either stem from a sense of injustice in the current organization or structure or from considering an entrepreneurial career path more satisfactory. While the latter perspective has been studied in entrepreneurship (Brockhaus, 1980; Guerra & Patuelli, 2016; Lee & Wong, 2004; Noorderhaven et al., 2004; Schjoedt & Shaver, 2007), the role of injustice in explaining the intentions to become an entrepreneur has not been examined as an explanation for pushing people into entrepreneurship. Yet entrepreneurship is not the only choice available to the individual when she perceives that her job context is unjust, the individual can also express dissent by exerting voice in the organization or the person deciding to leave for another alternate job.

Given the multiple available and often easier options to respond to perceptions of injustice, in this paper, we examine the relationship between perceptions of injustice and exit to entrepreneurship, voice, loyalty, and exit to alternate jobs in two studies. In Study 1, using a survey, we seek to understand the relationship between perceptions of injustice and the intention to become an entrepreneur. Once we establish this, in Study 2, we experimentally examine the role of injustice in more detail in terms of systemic and personal injustice in explaining the intention to exit to entrepreneurship.

This paper makes multiple contributions to the entrepreneurship literature: First, we highlight the interplay between exit, voice, and loyalty in explaining the decision to become an entrepreneur. Specifically, we show that the choice to exit to entrepreneurship is not a binary one i.e., stay in the job vs. exit to entrepreneurship as modelled in the career choice literature but is one among four possible choices and is probably the most difficult one to make. Second, we explain the role of perceptions of injustice and entrepreneurial intentions and show that perceptions of injustice are nuanced and lead to various responses as the individual seeks ways to come out of the unjust situation. It also contributes to the literature on “pull” vs. “push” factors that explain entrepreneurial intentions and shows that while entrepreneurial passion and prior entrepreneurial experience play a role in “pulling” the individual into entrepreneurship, perception of injustice is a “push” factor. Finally, we also contribute to the literature on voice in organizational behavior by showing that scholars need to account for the existence of entrepreneurial intentions in their theories of voice behavior.

## **3.2 Study 1: Theoretical setup**

### ***3.2.1. Injustice***

Dissatisfaction with the current job context is an important explanation for why individuals leave jobs to become entrepreneurs (Brockhaus, 1980; Herron & Sapienza, 1992; Lee & Wong, 2004). This dissatisfaction can stem either from a sense of injustice with the current job context or can be a result of thinking that an entrepreneurial career can provide better job satisfaction. Prior literature has shown that individuals who are employed in organizations do consider entrepreneurship a more satisfactory career path, but show that once they become entrepreneurs, the levels of satisfaction are no different from what they were in their prior jobs

(Brockhaus, 1980; Guerra & Patuelli, 2016; Schjoedt & Shaver, 2007). However, there is not much empirical evidence explaining the relationship between perceptions of injustice and the intention to become an entrepreneur and we address this gap in this paper.

Organizational justice is the relationship between fairness in the workplace and individual responses, intentions, and behavior at work (Brockner, Wiesenfeld, Siegel, Bobocel, & Liu, 2015). Perceptions of justice are influenced by organizational practices and procedures, outcomes from the organization, and the characteristics of the individual (Cohen-Charash & Spector, 2001). Individuals seek ways to come out of unjust situations in organizations and use various mechanisms such as voice, exit to other jobs, or becoming entrepreneurs in order to do so. Perceptions of injustice are important predictors of voice behavior (Bashshur & Oc, 2015). Two meta-analyses report that the relationship between perceived (un)just processes and outcomes and voice behavior are significant (Cohen-Charash & Spector, 2001; Colquitt, 2001). In addition, exit to alternate jobs are another response to injustice: As the incidence of injustice increases in the organization, individuals often choose to leave the organization (Farrell, 1983; McClean et al., 2012).

Yet, another mechanism to exit the status quo that is neglected by the voice literature is the choice to be an entrepreneur. Negative experiences in the organization influence the intention to become an entrepreneur (Dyer Jr, 1995; Herron & Sapienza, 1992; Lee & Wong, 2004). Individuals who perceive that there are no alternate opportunities in the organization, encounter glass ceilings, pay gaps, and other forms of injustices in the organization, leave organizations to become entrepreneurs. In Austrian economics, this has been studied as an internal dissatisfaction with what the world is and what it ought to be in the entrepreneur's mind (Kirzner, 1997; Valliere, 2013). While the difference between is and ought is perceived as an injustice, this

difference is not necessarily created by willful actions and is usually a result of errors and ignorance caused by entrepreneurial processes in previous time periods (Kirzner, 1978).

In sum, as individuals seek to leave unjust organizational situations, entrepreneurship is one among many choices available to them. Individuals find ways to change the unjust status quo by looking for alternate jobs, exerting voice, or becoming entrepreneurs. Stated as hypotheses:

***Hypothesis 1 (a):*** As perceptions of injustice increase, individuals' intentions to exert voice increase

***Hypothesis 1 (b):*** As perceptions of injustice increase, individuals' intentions to find alternate employment increase

***Hypothesis 1 (c):*** As perceptions of injustice increase, individuals' intentions to become entrepreneurs increase

### ***3.2.2. Embeddedness***

As the individual seeks to exit the status quo, embeddedness in the current organizational structure plays an important role in how the individual chooses to exit the unjust situation (Jennings et al., 2013; Zhao & Lounsbury, 2016). As individuals become more experienced as an employee, they are more likely to choose to stay in the organization or express voice as a mode of exiting unjust status quo (Bashshur & Oc, 2015; Lam, Rees, Levesque, & Ornstein, 2017). As the individual becomes more experienced as an entrepreneur, they are more likely to see entrepreneurial opportunities when they perceive injustice (Hockerts, 2017; Shane, 2000; Shane & Venkataraman, 2000).

In this paper, we operationalize this embeddedness as experience in the organization and experience in entrepreneurship. Increased tenure in a particular organization increases the loyalty and embeddedness in that organization. Therefore, a longer organizational tenure makes the individual less likely to leave the organization and when faced with unjust situations, such individuals choose to exert voice (Bashshur & Oc, 2015). On the other hand, prior entrepreneurial experience also plays an important role in the intention to become an entrepreneur. Prior entrepreneurial experience creates a “knowledge corridor” (Shane, 2000) that allows individuals to see entrepreneurial opportunities and increases the likelihood of starting new ventures. Stated as hypotheses,

***Hypothesis 2(a):*** Individuals with higher organizational experience are more likely to exert voice compared to other means of coming out of unjust status quo situations

***Hypothesis 2(b):*** Individuals with higher entrepreneurial experience are more likely to express intentions to become an entrepreneur compared to other means of coming out of unjust status quo situations

### ***3.3.3. Empirical strategy***

As a response to dissatisfaction, voice literature is the most well-developed empirically. There are over 1000 studies that examine the role of voice in organizational settings (Bashshur & Oc, 2015). Therefore, in order to study the relationship between dissatisfaction and exit to entrepreneurship, we begin with the set of variables that impact voice behavior. To this, we add variables from the entrepreneurship literature that we know cause individuals to shift to entrepreneurship such as prior entrepreneurial experience and psychological factors such as entrepreneurial self-efficacy and entrepreneurial passion and study their relationship to various

responses to dissatisfaction such as voice, loyalty, exit to alternate jobs, and exit to entrepreneurship.

Exit, voice, and loyalty are not independent choices. The threat of exit leads to increased organizational efficiency and the option of having an alternate job to exit to increases the incidence of voice in organizations (Bashshur & Oc, 2015; Detert & Edmondson, 2011; Farrell, 1983; Van Dyne & LePine, 1998). The possibility and threat of exit is also what makes companies find ways to increase stakeholder loyalty (Hirschman, 1970). Therefore, while we use the voice variables, we also include ability to find alternate jobs and loyalty as control variables in explaining voice and exit behavior.

Finally, it is also important to note here that in the voice literature, scholars consider exit as withdrawal from the organization and therefore destructive and operationalize it as finding alternate jobs or not caring about issues within the organization (Bashshur & Oc, 2015; Farrell, 1983; Hirschman, 1970). We conceptualize the notion of exit from the perspective of the individual and examine the factors that influence the relationship between dissatisfaction and exit to entrepreneurship and do not consider exit destructive or detrimental to the organization or society.

### **3.3 Sample and Procedure**

For this study, we recruited 318 participants using Amazon's MTurk. We administered the MTurk survey to these participants and asked them questions about injustice, antecedents to voice behavior, and entrepreneurial pull factors such as entrepreneurship passion, self-efficacy, and venture experience in order to understand what explains exit to alternate employment, voice, loyalty, and exit to entrepreneurship and the role of injustice in making these choices.

### ***3.3.1. Participants***

We recruited the sample for this study using Amazon's MTurk. The sample consisted of 318 individuals. Of these individuals, 112 were female, 205 were male, and one participant chose not to answer. Over half the sample (52.2%) was between the age of 25 and 34 and had a 4- year college degree (51.3%). 59.7% of the participants had parents with entrepreneurial experience, and 78% of them were employed full-time. The full descriptive statistics of the sample are described in the Results section and are presented in Table 3.1.

### ***3.3.2. Procedure***

We recruited participants using Amazon's MTurk platform. MTurk is a crowdsourcing marketplace used to collect data from virtual workers globally (<https://www.mturk.com>). It is designed to be used to collect data, conduct surveys, and enables researchers to collect data from a sample pool that is broader and more randomized than undergraduate psychology students. A researcher can create a survey as a requester on the MTurk platform and create tasks (surveys) that participants can choose to accept or reject. The participants are called workers on MTurk and the tasks are called HITs (Human Intelligence Tasks). While administering surveys, researchers can choose who is allowed to participate in the HIT using selection criteria called qualifications (<https://docs.aws.amazon.com/AWSMechTurk/latest/RequesterUI/mechanical-turk-concepts.html>).

While there are issues with MTurk samples such as attention attrition, experienced workers, lack of data quality, and high dropout rates, there are ways researchers have identified

to solve these concerns (Hauser, Paolacci, & Chandler, 2018). As part of the best recruitment practices of MTurk survey administration, researchers and Amazon documentation suggest that HITs require workers to have a 95% approval rate (Peer, Vosgerau, & Acquisti, 2014). In our MTurk survey we used this criterion as part of the recruitment process. In addition, since this survey was developed based on empirical work in voice, we were able to run analyses to check that the relationships predicted by the voice literature hold and therefore are more confident about the results that we hypothesize.

The survey presented to the participants on average took about 15 minutes to complete. In the initial set of instructions, participants read that the task is about early stage entrepreneurial decisions. They were given \$1 as payment for the survey if they completed it and were asked explicitly for consent. Once they consented to participate in the survey, they were asked a series of demographic questions, followed by questions about dissatisfaction, futility, and injustice that are variables of interest we derived from the voice literature, questions about entrepreneurial experience, passion, and self-efficacy that predict entry into entrepreneurship, and questions about exit to alternate jobs, voice, loyalty, and exit into entrepreneurship.

### ***3.3.3. Measures***

We measured perceptions of justice and various forms of experience as independent variables and voice and exit to entrepreneurship as dependent variables. We used loyalty (measured as psychological attachment) and entrepreneurial pull factors such as entrepreneurial passion and entrepreneurial self-efficacy as control variables. We measured exit to entrepreneurship, exit to alternate employment, and voice as dependent variables. In addition, for the sake of completeness, we also conducted supplementary analyses to understand what explains loyalty to the organization the individual is employed in currently.



### **3.3.4. Independent variables**

*Perceived overall justice (POJ)* Uncertainty with regard to jobs is one of the main causes of job dissatisfaction and organizational justice plays an important role in mitigating this uncertainty. Therefore, POJ is an important predictor of voice and exit to entrepreneurship. We measured perceived organizational justice using a 5-point scale (Wang, Lu, & Siu, 2015) ranging from “Strongly disagree” to “Strongly agree” ( $\alpha=0.842$ ). Sample items include “Overall, I’m treated fairly by my company/ organization”, and “For the most part, this company/ organization treats its employees fairly”

*Entrepreneurial experience* Prior entrepreneurial experience makes individuals more likely to become entrepreneurs. We measured entrepreneurial experience in multiple ways: (1) we asked respondents if either or both of their parents have entrepreneurial experience, (2) we asked respondents to indicate the number of ventures that they started, (3) we asked them to specify number of years of entrepreneurial experience, and (4) we asked them to tell us how many entrepreneurs they know.

*Work experience* We measured work experience as the number of years the individual worked in organizations in years.

### **3.3.5. Dependent variables**

*Voice* We measured voice using a 3-item 5-point scale developed by Burris et al. (2008) ranging from “Almost never” to “Almost always”. The items include “I challenge my supervisor to deal with problems around here”, “I give suggestions about how to make this organization better, even if others disagree”, and “I speak up to my boss/ supervisor with ideas to address employees’ needs and concerns”. The reliability for this measure is 0.705

*Exit into entrepreneurship* We developed a scale for exiting into entrepreneurship based on the psychological detachment scale that is described below. We developed a 3 item 5-point scale ( $\alpha = .762$ ) that measures individuals' intentions to leave their current job to pursue entrepreneurship. The items include "I have recently spent some time working on a new venture", "During the next year, I will probably quit to start a new company/ venture", and "I often think about quitting this job and starting a new company".

*Exit to other jobs/ psychological detachment* This is a 3-item scale with an alpha of 0.802. We measured this using the following items: "I have recently spent some time looking for another job", "During the next year I will probably look for a new job outside this company", "I often think about quitting this job and finding another one" (Burriss et al., 2008; Meyer et al., 2002).

### **3.3.6. Control variables**

*Loyalty/ psychological attachment* This is a 5-item measure (Burriss et al., 2008; Loi et al., 2006) with  $\alpha = 0.84$ . We measured loyalty using items such as "I'd be happy to spend the rest of my career at this company/ organization", and "I feel like part of the family at this company/ organization". We used this as a control variable since individuals with a level of loyalty to their organization would be less likely to leave it.

The intention to become an entrepreneur also involves multiple pull and push factors and the individual often makes a utility maximizing tradeoff when she chooses to become an entrepreneur (Levesque, Shepherd, & Douglas, 2002). In order to control for the pull factors into entrepreneurship, we measure (a) entrepreneurial passion which is a measure of intrinsic motivation for different aspects of the entrepreneurial process and has been shown to be an

important predictor of entrepreneurial intentions and (b) entrepreneurial self-efficacy which makes the individual more confident and more likely to become an entrepreneur. We describe these measures in more detail below.

*Entrepreneurial passion* Entrepreneurship literature has shown that entrepreneurial passion is contagious and leads to organizational commitment in new ventures (Breugst, Domurath, Patzelt, & Klaukien, 2012). Here, we go back one more step and argue that the lack of commitment or dissatisfaction with the current organization, together with a passion for entrepreneurship, leads to exit into entrepreneurship. We measure entrepreneurial passion (Cardon, Gregoire, Stevens, & Patel, 2013) as a 13-item measure ( $\alpha = 0.949$ ) on a 5-point scale ranging from “Strongly Disagree” to “Strongly agree”. The entrepreneurial passion scale includes items pertaining to the passion for development, passion for investing, and passion for founding and includes items such as “Nurturing a new business through its emerging success is enjoyable”, and “I am motivated to figure out how to make existing products/services better”

*Entrepreneurial self-efficacy* In a recent meta-analysis, Zhao, Seibert, and Hills (2005) argue that entrepreneurial self-efficacy is the single most important predictor of entrepreneurial intentions. We measure it using a 15-item 5-point scale (Forbes, 2005) ranging from “Completely Unsure” to “Completely Sure”. This scale measures entrepreneurial self-efficacy related to early stage activities such as securing finances, innovation, risk-taking, management, and marketing.

In addition to these measures, we also used a 3-item measure of futility ( $\alpha=0.847$ ), a 2-item measure of psychological safety ( $\alpha=0.824$ ) as controls. Based on studies in the voice literature, we also reasoned that people would exit to entrepreneurship only if they had ideas and therefore controlled for this using a 2-item measure ( $\alpha=0.751$ ). We also controlled for the

self-perception of the ability to find alternative employment ( $\alpha=0.747$ ) since this would enable the individual to speak up or leave (Burris et al., 2008; Meyer et al., 2002).

### 3.4 Results

#### 3.4.1. Descriptive Statistics

Descriptive statistics are described in table 1. The sample consisted of 318 individuals. Out of these, 112 were female, 205 were male, and one participant chose not to answer. Over half the sample (52.2%) was between the age of 25 and 34 and had a 4- year college degree (51.3%). 59.7% of the sample had parents with entrepreneurial experience, and 78% of them were employed full-time. The average work experience was 7.25 years (SD: 3.18), entrepreneurial experience was 2.8 years (SD: 2.75), the number of ventures started was 1.77 (SD: 1.2), and the average number of entrepreneurs they knew was 3.92 (SD: 2.76).

<b>Characteristic</b>	<b>Percent of Sample/ Mean</b>	<b>SD</b>
Sample Size	318	
<b>Age (years)</b>		
18 to 24	15.41%	
25 to 34	52.20%	
35 to 44	22.96%	
Greater than 44	9.43%	
<b>Gender</b>		
Female	35.22%	
Male	64.47%	
Prefer not to answer	0.31%	
<b>Highest degree received</b>		
Up to high school	6.60%	
Some college or 2-year degree	17.92%	
Undergraduate degree	51.26%	
Masters	18.87%	

Doctorate	0.02%	
<b>Marital status</b>		
Married	51.26%	
Not married	40.88%	
Widowed/ Separated/ Divorced	7.86%	
<b>Parents with entrepreneurial experience</b>		
Neither	40.25%	
Mother	9.12%	
Father	38.07%	
Both	24.53%	
<b>Employment</b>		
Full time	77.99%	
Part time	13.84%	
Unemployed/ retired/ student	8.18%	
<b>Number of children</b>	1.45	1.211
<b>Work experience in years</b>	7.25	3.184
<b>Number of ventures</b>	1.77	1.2
<b>Entrepreneurial experience in years</b>	2.8	2.746
<b>Number of entrepreneurs you know</b>	3.92	2.756

*Table 3.1 Descriptive Statistics*

To understand the relationship between perceptions of injustice and intentions of voice, finding alternate employment, and entrepreneurship, we conducted an OLS regression using a list of variables known to impact voice behavior. Starting with this empirical setup, to test hypotheses 1, we examine injustice, and to test hypotheses 2, we look at various types of experience in the organization and with entrepreneurship. The results are described in Table 2.

	<b>B (Exit to Entrepreneurship)</b>	<b>Std. Error</b>	<b>B (Voice)</b>	<b>Std. Error</b>	<b>B (Exit to Alternate Employment)</b>	<b>Std. Error</b>
(Constant)	0.840	0.321	0.798	0.333	2.679	0.407
Psychological safety	0.017	0.063	-0.018	0.070	-0.066	0.079
Futility	<b>0.153**</b>	0.052	-0.099	0.054	-0.036	0.066
Psychological attachment/ loyalty	<b>-0.161*</b>	0.067	<b>0.160**</b>	0.074	<b>-0.348***</b>	0.085
(Perception of) ability to get alternative employment	<b>0.136**</b>	0.048	<b>0.104*</b>	0.052	<b>0.130*</b>	0.061
Having ideas	0.093	0.063	<b>0.170*</b>	0.068	<b>0.227**</b>	0.080
Distributive justice	-0.017	0.052	0.065	0.060	-0.056	0.066
Work experience	<b>-0.042**</b>	0.015	0.023	0.016	-0.001	0.019
Children	-0.030	0.040	<b>-0.194***</b>	0.043	<b>-0.173***</b>	0.051
Gender	0.047	0.082	0.104	0.088	-0.108	0.104
Perceived overall justice (POJ)	<b>-0.283***</b>	0.070	<b>-0.211**</b>	0.101	<b>-0.234**</b>	0.088
Entrepreneur passion	<b>0.576***</b>	0.073	-0.032	0.078	<b>0.277**</b>	0.092
Parents entrepreneurial experience	0.096	0.099	-0.116	0.107	-0.036	0.126
Entrepreneurial self-efficacy	-0.079	0.076	0.085	0.081	-0.087	0.096
No. of ventures started	<b>0.158**</b>	0.050	-0.022	0.054	-0.088	0.064
Entrepreneurial experience	-0.017	0.021	0.002	0.022	-0.004	0.026
Entrepreneur network	0.000	0.017	0.025	0.018	-0.016	0.022
Adjusted R-square	0.559		0.154		0.304	

Notes: \* for  $p < 0.05$ , \*\* for  $p < 0.01$ , \*\*\* for  $p < 0.001$

**Table 3.2 Exit to entrepreneurship, voice, exit to alternate employment**

The R-square for the voice regression is comparable to the R-squares that the studies in the voice literature report (between 0.1 and 0.2). It is also reassuring to note that the variables that these researchers argue are important such as having an attachment to the organization (B=0.16, SE=0.074,  $p=0.031$ ), and having ideas (B=0.17, SE=0.068,  $p=0.013$ ) are important

predictors of voice in our sample as well. This gives us confidence in our results about exit into entrepreneurship which has not been studied as a potential alternate choice in the voice literature.

To test hypothesis 1, we examine the variable perceived overall justice (POJ) in predicting the intentions to exit to entrepreneurship, exert voice, or exit to alternate employment. We find that as POJ decreases, the intentions to exit to entrepreneurship ( $B = -0.283$ ,  $SE = 0.07$ ,  $p < 0.001$ ), exert voice ( $B = -0.211$ ,  $SE = 0.101$ ,  $p = 0.038$ ), and exit to alternate employment ( $B = -0.234$ ,  $SE = 0.088$ ,  $p = 0.009$ ) increases. This lends support to hypotheses 1(a), (b), and (c) which states that as perceptions of injustice increase, the individual seeks ways to come out of the status quo using voice, finding other jobs, or by becoming an entrepreneur.

To test the second hypothesis, we look at work experience and various forms of entrepreneurial experience including number of years of entrepreneurial experience, number of ventures started, parents' entrepreneurial experience, and number of entrepreneurs that the individual knows. The more ventures individuals start, the more likely they are to express intentions to leave the organization to become an entrepreneur ( $B = 0.158$ ,  $SE = 0.05$ ,  $p = 0.002$ ). This lends support to hypothesis 2(b). Additionally, we find that the lower the work experience in the organization, the more likely the individual is to exit to entrepreneurship ( $B = -0.042$ ,  $SE = 0.015$ ,  $p = 0.006$ ). However, there is no impact of work experience in the organization on the voice, so hypothesis 2(a) is not supported.

Additionally, although not hypothesized, there are a few other variables that we would like to talk about. First, the perception of the ability to get alternate jobs predicts the intention to leave to alternate employment ( $B = 0.130$ ,  $SE = 0.061$ ,  $p = 0.034$ ), exert voice ( $B = 0.104$ ,  $SE = 0.052$ ,  $p = 0.046$ ), or exit to entrepreneurship ( $B = 0.136$ ,  $SE = 0.048$ ,  $p = 0.005$ ). As pointed out in the voice literature, this is a de-risking mechanism that allows the individual to act when there is injustice

(Burriss et al., 2008; Detert & Burriss, 2007; McClean et al., 2012). Next, a sense of loyalty and psychological attachment to the organization predicts that the individual will exert voice ( $B=0.160$ ,  $SE=0.074$ ,  $p=0.031$ ) whereas when the individual does not feel a sense of loyalty or psychological attachment to the organization, she is more likely to leave to another job ( $B=-0.348$ ,  $SE=0.085$ ,  $p<0.001$ ) or to become an entrepreneur ( $B=-0.161$ ,  $SE=0.067$ ,  $p=0.017$ ). Finally, it is also interesting to note that when the individuals feel a sense of futility with the organization ( $B=0.153$ ,  $SE=0.052$ ,  $p=0.004$ ), she is more likely to leave to become an entrepreneur. The role of futility in explaining entrepreneurial intentions helped us to design the next study to understand what specific kinds of injustice predict the intention to become an entrepreneur rather than exerting voice or finding another job.

### ***3.4.2. Supplementary analyses***

Before we move to the next study, we conducted some supplementary analyses. Since we introduced a new choice, exit to entrepreneurship to the list of available choices for the individual, for the sake of completeness, we conducted additional supplementary analyses to understand (i) how the availability of this choice impacts the individual's decision to stay loyal to the organization since we have analyzed all movements from status quo but do not know what explains why individuals remain in dissatisfactory status quos and (ii) what is the likelihood that the individual will exit to entrepreneurship given that she has all these other and potentially easier choices available to her to come out of unjust situations.



(i) *What explains loyalty to organizations?*

	<b>B (Loyalty)</b>	<b>Std. Error</b>
(Constant)	0.058	0.278
Psychological safety	<b>0.197***</b>	0.053
Futility	-0.034	0.045
(Perception of) ability to get alternative employment	0.036	0.042
Having ideas	<b>0.115*</b>	0.055
Distributive justice	<b>0.276***</b>	0.042
Work experience	-0.011	0.013
Children	<b>0.068*</b>	0.035
Gender	-0.05	0.071
Perceived overall justice (POJ)	<b>0.131*</b>	0.06
Entrepreneur passion	<b>0.162**</b>	0.062
Parents entrepreneurial experience	0.145	0.086
Entrepreneurial self-efficacy	0.003	0.066
No. of ventures started	0.055	0.043
Entrepreneurial experience	-0.016	0.018
Entrepreneur network	-0.018	0.015
R-square	0.521	

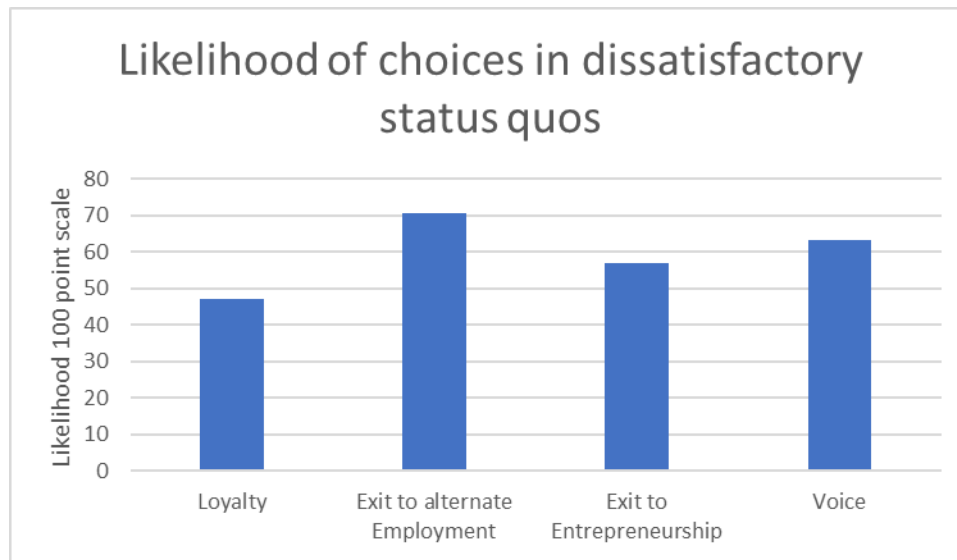
Notes: \* for  $p < 0.05$ , \*\* for  $p < 0.01$ , \*\*\* for  $p < 0.001$

**Table 3.3 Loyalty**

Individuals choose to remain loyal to the status quo when they perceive the organization to be just overall ( $B=0.131$ ,  $SE=0.06$ ,  $p=0.03$ ) and have distributive justice ( $B=0.276$ ,  $SE=0.042$ ,  $p < 0.001$ ), and when they have a sense of psychological safety ( $B=0.197$ ,  $SE=0.053$ ,  $p < 0.001$ ) which allows them to pursue their ideas for improving the organization ( $B=0.115$ ,  $SE=0.055$ ,  $p=0.036$ ).

(ii) *Likelihoods of exit, voice, and loyalty*

We also asked respondents how likely they were to exit to alternate employment, exert voice, exit to entrepreneurship, or stay loyal under conditions of dissatisfactory status quos on a 0-100 point scale. We present these likelihoods here:



*Figure 3.1 Likelihood of exit, voice, loyalty*

Individuals are least likely to remain loyal under dissatisfactory conditions (likelihood= 47.24). When they decide to disrupt the status quo, they are most likely to choose exit to alternate employment (likelihood= 70.58) and least likely to choose exit to entrepreneurship (likelihood= 56.86). These likelihoods empirically explains a theoretical puzzle about exit where Hirschman and the voice literature consider it the easiest choice to make since it is non-confrontational and does not require that the individuals speak to higher-ups in the hierarchy (Bashshur & Oc, 2015; Hirschman, 1970) whereas the political economy literature considers it the most difficult choice to make since it causes the most discontinuity and disruption in the person's life (Borchers & Vitikainen, 2012). These likelihoods show that when choices to exit to

are readily available such as alternate jobs or different products, the individual is easily able to exit to alternate choices (i.e., exit to alternate employment in figure 3.1). When these choices have to be created as in the case of starting a new venture, then it causes the most disruption in the person's life and is difficult to do so (as shown by exit to entrepreneurship in figure 3.1).

### **3.5 Study 2- Theoretical setup**

Individuals want to be treated fairly and perceptions of justice in organizations lead to a number of favorable outcomes from the organizational perspective such as extra role behavior, organizational commitment, and organizational citizenship behavior. Perceptions of injustice lead the individual to exert voice, leave the organization, and become entrepreneurs as demonstrated in Study 1. In this study, we nuance the notion of injustice to understand what kinds of injustices predict exit to entrepreneurship vs. other forms of disruption of the status quo through voice and exit to alternate employment.

To do so, we began with literature in psychology and organization behavior argued that not all injustices are the same and individuals react differently based on differential perceptions of injustice (Brockner et al., 2015; Cojuharenco & Patient, 2013). Justice and injustice are differentially salient to the individual: justice elicits vague reasoning, positive behavior, and reactions based on expectation whereas injustice engenders nuanced reasoning, negative behavior, and reactions based on differentiated reasoning (Cojuharenco & Patient, 2013; Colquitt, Long, Rodell, & Halvorsen-Ganepola, 2010). Individuals focus on different aspects of injustice (Cojuharenco & Patient, 2013; Cojuharenco, Patient, & Bashshur, 2011) based on individual, situational, and experiential differences such as work experience, construal level, psychological distance, and temporal cues. These differences result in varying emotional,

cognitive, and behavioral responses (Brockner et al., 2015; Cojuharenco & Patient, 2013; Harlos & Pinder, 2000).

In this study, we focus on one difference in perception of justice: systemic vs. personal and examine its effect on exit to entrepreneurship, voice, loyalty, and exit to alternate jobs. Systemic injustice is the “perception of unfairness involving larger organizational context within which workplace relationships are enacted, allocation decisions are made and/ or implemented (Harlos & Pinder, 2000, p. 259). It has also been defined as the widespread mistreatment of supervisors leading to a perception of pervasive unfairness in the organization as a whole (Sheppard, Lewicki, & Minton, 1992). Perceptions of systemic injustice are associated with a lack of emotional connect with the organization and the perception that the system was responsible for the unjust situation (Harlos & Pinder, 2000). Personal injustice (Cojuharenco & Patient, 2013) on the other hand is the perception that the individual is being treated unfairly in the organization i.e., the specific workplace relationship, specific allocation decision and/ or implementation is unfair. In this study, we examine how differences in perceptions of systemic and personal injustice together with the emotional connect to the organization (Van Dyne & Pierce, 2004) impact decisions of voice, loyalty, exit to alternate employment, and exit to entrepreneurship.

### **3.6 Sample and Procedure**

We manipulate organizational justice using a scenario of (un)just treatment of an employee in an organization. Half the participants see a justice scenario and the other half see an injustice scenario. We administered the survey to these participants using Amazon’s MTurk (for a general description of MTurk and its pros and cons please refer to Section 3.3.2, in the sample

and procedure section for the first study in this paper. To ensure that we get good quality data, we only recruited participants with approval rates greater than 95%.

### ***3.6.1. Participants***

We recruited 300 participants using Amazon's MTurk for this study. We used Qualtrics' automatic randomization feature to randomly assign 150 participants to the injustice condition and 150 participants to the justice condition and the descriptive statistics are presented in table 4 below. Out of the 300 participants, 206 were male, 93 were female, and one was a transgender male. 62.5% of the sample had a 4-year college degree, 71.3% had parents with entrepreneurial experience, and 89% of the sample were employed full-time. The full descriptive statistics are described in the Results section and presented in Table 3.4.

### ***3.6.2. Procedure***

Participants were told that this was a task related to early stage decision making in entrepreneurship. The survey on average took 15 minutes to complete and the participants were paid \$1 upon completion of the survey. The participants were explicitly asked for consent before beginning the survey. Once they consented, they were asked a series of demographics questions and randomly assigned to the either the justice or injustice condition. Both conditions had a standard scenario adapted from Schminke, Ambrose, and Noel (1997) that is typically used to test for justice and injustice in the workplace. The scenario that the participants saw was procedurally, interactionally, and distributively fair or unfair depending on which condition they were in. After reading the scenario, the participants were asked to answer a series of questions related to justice, voice, exit, and loyalty.

In the specific scenario that the participants read, we asked them to imagine themselves as best as they could in a situation with a boss where the boss had to decide about the promotion of one of his/ her subordinates. In the justice scenario, the individual was promoted and the boss explained why she was promoted and how the decision was made very promptly. In the injustice condition, the individual was not promoted and the boss did not inform the employee about how the decision was taken and why she was passed over for the job. For a full description of the text used in the scenario please see *Appendix A*. In both conditions, we asked the individuals about their perceptions of systemic and personal justice, psychological ownership, and intentions about exit to entrepreneurship, exit to alternate employment, voice, and loyalty.

### ***3.6.1. Measures***

We used the same measures of exit to entrepreneurship, voice, loyalty, and exit to alternate employment as Study 1. We also controlled for entrepreneurial experience using the same variables in Study 1: entrepreneurial experience in years, number of entrepreneurs that the individual knows, number of ventures started, and parents with entrepreneurial experience. In addition, we measured systemic justice, personal justice, and psychological ownership.

*Systemic justice and personal justice* Each of these constructs are made of 12 5-point Likert scale items. The 12 variables measure 4 different subconstructs (Cojuharenco & Patient, 2013): procedural justice, distributive justice, interactive interpersonal justice, and interactive informational justice. Items in the systemic and personal justice constructs are symmetric and have items such as “Did your outcome reflect the effort you have put into your work?” and “Do outcomes in this organization reflect effort put into work?” respectively. The full item list is presented in *Appendix A*.

*Psychological ownership* Systemic and personal injustice are associated with different feelings of emotional connect with the organization. We measure this using the psychological ownership construct. This is a 7-item 5-point scale developed by Van Dyne and Pierce (2004) to measure feelings of possession towards organizations. We used 6 of the 7 items and the reliability is 0.847. The sample items in the scale include “I sense that this organization is OUR company”, and “I feel a very high degree of personal ownership for this organization”.

### 3.7 Results

#### 3.7.1. Descriptive statistics

We recruited 300 participants using Amazon’s MTurk for this study. We used Qualtrics’ automatic randomization feature to randomly assign 150 participants to the injustice condition and 150 participants to the justice condition and the descriptive statistics are presented in table 4 below. Out of the 300 participants, 206 were male, 93 were female, and one was a transgender male. 62.5% of the sample had a 4-year college degree, 71.3% had parents with entrepreneurial experience, and 89% of the sample were employed full-time. The average work experience was 5.87 years, and the average entrepreneurial experience was 2.7 years. The mean number of ventures started were 1.47 and the participants on average knew 3.35 entrepreneurs.

<b>Characteristic</b>	<b>Percent of Sample/ Mean</b>	<b>SD</b>
Sample Size	300	
<b>Age (years)</b>		
18 to 24	10.00%	
25 to 34	65.40%	
35 to 44	13.30%	
Greater than 44	10.60%	
<b>Gender</b>		

Female	30.90%	
Male	68.40%	
Transgender male	0.33%	
<b>Highest degree received</b>		
Up to high school	6.30%	
Some college or 2-year degree	18.60%	
Undergraduate degree	62.50%	
Masters	11.60%	
Doctorate	0.70%	
<b>Marital status</b>		
Married	61.50%	
Not married	34.60%	
Widowed/ Separated/ Divorced	3.67%	
<b>Parents with entrepreneurial experience</b>		
Neither	28.60%	
Mother	11.30%	
Father	20.90%	
Both	38.90%	
<b>Employment</b>		
Full time	88.70%	
Part time	9.00%	
Unemployed/ retired/ student	2.00%	
<b>Number of children</b>	0.95	1.019
<b>Work experience in years</b>	5.87	3.198
<b>Number of ventures</b>	1.43	1.15
<b>Entrepreneurial experience in years</b>	2.7	2.42
<b>Number of entrepreneurs you know</b>	3.35	2.41

*Table 3.4 Descriptive Statistics*

First as a manipulation and randomization check, we ran one-way ANOVAs between the two treatment conditions for all the demographic variables, and personal and systemic injustice. There was no significant difference between the demographic variables in the two treatment



conditions showing that the sample is random. There was also a significant difference between systemic justice (mean =3.948 in the justice condition, and mean=3.519 in the injustice condition  $p<0.001$ ) and personal justice (mean = 4.122 in the justice condition and mean = 2.869 in the injustice condition) between treatments showing the manipulation worked.

To understand the role of systemic and personal injustice and psychological ownership with the organization on exit to entrepreneurship, voice, and exit to alternate employment, we ran OLS regressions with these variables. The results are presented in Table 5 below and are explained in the following paragraphs.

	<b>B (Exit to Entrepreneurship)</b>	<b>Std. Error</b>	<b>B (Voice)</b>	<b>Std. Error</b>	<b>B (Exit to Alternate Employment)</b>	<b>Std. Error</b>
(Constant)	2.016	0.368	0.279	0.319	2.893	0.403
Treatment (0=justice)	0.381**	0.14	0.416***	0.121	0.534***	0.153
Systemic justice	-0.028	0.088	0.259***	0.076	-0.056	0.096
Personal justice	0.237***	0.072	0.163**	0.062	0.339***	0.079
Psychological ownership	0.137	0.078	0.325***	0.067	-0.194**	0.085
Entrepreneurial experience	0.016	0.033	0.024	0.028	0.008	0.036
Entrepreneur network	0.079**	0.027	0.023	0.023	0.099***	0.03
Parents entrepreneur experience	0.223	0.147	0.243	0.127	0.139	0.16
No. of ventures	0.1	0.069	0.017	0.06	-0.023	0.075
Work experience	-0.133***	0.02	-0.022	0.018	-0.101***	0.022
R-square	0.323		0.347		0.177	

*Table 3.5 Perceptions of systemic and personal injustice*

First, as already shown in study 1, perceptions of injustice lead the individual to find ways to exit the unjust situation. The treatment is significant and individuals in the injustice condition are more likely to exit to entrepreneurship ( $B=0.381$ ,  $SE=0.14$ ,  $p=0.007$ ), to exert voice ( $B=0.416$ ,  $SE=0.121$ ,  $p=0.001$ ), and to exit to alternate employment ( $B=0.534$ ,  $SE=0.153$ ,  $p=0.001$ ). In addition, what explains exit to entrepreneurship is a perception that that personally, the individual has been treated fairly ( $B=0.237$ ,  $SE=0.072$ ,  $p=0.001$ ).

Exit to alternate employment is predicted by a sense of personal justice ( $B=0.339$ ,  $SE=0.079$ ,  $p<0.001$ ) coupled with a lack of psychological ownership with the organization ( $B=-0.194$ ,  $SE=0.085$ ,  $p=0.024$ ). Voice, on the other hand is explained by a sense of systemic ( $B=0.259$ ,  $SE=0.076$ ,  $p=0.001$ ) and personal justice ( $B=0.163$ ,  $SE=0.062$ ,  $p=0.009$ ) coupled with a sense of psychological ownership with the organization ( $B=0.325$ ,  $SE=0.067$ ,  $p<0.001$ ).

Finally, for the sake of completeness, we also looked at what explained loyalty to the organization (ref. Table 3.6 below). There is no treatment effect i.e., individuals' loyalty to the organization does not vary based on whether they face injustice in organizations i.e., even when the individual is exposed to injustice, injustice concerns are not salient for loyalty to their current organizations. Instead, loyalty is explained by a sense of systemic justice ( $B=.440$ ,  $SE=0.056$ ,  $p<0.001$ ), and psychological ownership ( $B=0.629$ ,  $SE=0.049$ ,  $p<0.001$ ) with the organization.

	<b>B (Loyalty)</b>	<b>Std. Error</b>
(Constant)	-0.188	0.233
Treatment (0=justice)	0.144	0.089
Systemic justice	0.440***	0.056
Personal justice	-0.046	0.046
Psychological ownership	0.629***	0.049
Entrepreneurial experience	-0.01	0.021
Entrepreneur network	-0.009	0.017
Parents entrepreneur experience	0.183*	0.093
No. of ventures	0.003	0.044
Work experience	0.005	0.013
R-square	0.618	

*Table 3.6 Loyalty and justice perceptions*

Together these two studies show that perceptions of injustice lead the individual to find mechanisms to come out of the status quo. Entrepreneurship is one of the mechanisms that the individual can use to come out of injustice and but the nature of injustice that leads to entrepreneurship is nuanced and depends on a personal perception of justice even in the face of injustice. Additionally, exit to entrepreneurship is also a result of prior entrepreneurial experience and motivations such as entrepreneurial passion.

The other available responses to the individual are voice and leaving for alternate employment. Individuals exert voice when they feel a sense of psychological ownership with the organization and leave the organization for other jobs when they do not feel this sense of psychological ownership. Injustice concerns are not salient for loyalty intentions. Instead, individuals who are loyal to the organization perceive the system to be fair and feel a sense of psychological ownership with the organization even when they are exposed to injustice.

## 3.8 Discussion

We began this paper by showing that dissatisfaction stemming from injustice is an important motivation for people to start new ventures. However, the voice literature shows that dissatisfaction stemming from injustice also motivates individuals to exert voice and to leave their jobs to find alternate ones. Given that the individual has all these available choices to come out of unjust status quos, we wanted to understand how the individual makes these choices and what factors coupled with injustice push the individual to become an entrepreneur. We conducted two studies – one survey and one experiment- two show that injustice pushes people to find ways to come out of the unjust status quo and prior entrepreneurial experience pulls them into entrepreneurship. Individuals in unjust situations who perceive that they have been personally treated fairly are more likely to express intentions to become entrepreneurs even though voice and exit to alternate employment are easier choices for the individual. In doing so we contribute to the entrepreneurship literature and to the literature on voice and justice.

### *3.8.1. Contributions to entrepreneurship literature*

Entrepreneurial career choices have typically been considered binary choices between unemployment and entrepreneurship, or employment and entrepreneurship, or leaving an organization and becoming an entrepreneur (Brock & Evans, 1989; Evans & Jovanovic, 1989; Levesque et al., 2002; McCall, 1970; Minniti & Lévesque, 2008; Parker, 2009). However, when we begin with the premise of dissatisfaction as the motivation for entrepreneurship, the dissatisfied individual has multiple mechanisms to overcome dissatisfaction including voice, and finding other jobs. Exit into entrepreneurship under such circumstances is the most extreme choice to make since it causes the most discontinuity in the individual's life. Scholars have

shown that the choice to become an entrepreneur is complex and have used tradeoffs and utility maximization to explain how the choice to become an entrepreneur is made given that they can also find a job (Levesque et al., 2002). Future research could model the outcome variable as multiple discrete choices between exit, voice, and loyalty or a continuum ranging from loyalty to exit into entrepreneurship and our paper is the first step in this direction.

This paper also contributes to the “push” and “pull” literature in entrepreneurship (Jennings & Brush, 2013; Rindova et al., 2009; Schjoedt & Shaver, 2007). The entrepreneurial entry literature explains the supply side of entrepreneurship and focuses on individual intentions to become an entrepreneur based on their human, social, and/ or financial capital. Here, we focus on the embedded nature of the individual in their current structures (Jennings et al., 2013; Zhao & Lounsbury, 2016), specifically, their organizational structures and show that injustice in current structures coupled with their human and social capital lead to entrepreneurial intentions, thus advancing our understanding of why individuals choose to become entrepreneurs.

Finally, in these studies, we assume an intentionality and choice in the individual’s choice to become an entrepreneur. Understanding the contingency based (Harmeling, 2011; Harmeling & Sarasvathy, 2013) or necessity-based (van der Zwan et al., 2016) choices of becoming entrepreneurs when faced with injustice are open research questions that are extensions of the framework we develop here.

### ***3.8.2. Contributions to voice literature***

We also contribute to the voice literature in two ways. First, there are over 1000 studies in the voice literature in organizational behavior and they argue that exit is destructive and empirically model exit as the finding other jobs (Bashshur & Oc, 2015). However, exit can also

be an entrepreneurial choice which stems from finding themselves in unjust situations. Understanding why the individual wants to become an entrepreneur could serve as an input into crafting more fulfilling jobs (Demerouti, Bakker, & Gevers, 2015; Wrzesniewski & Dutton, 2001) to ensure that the individual feels a sense of psychological ownership with the organization (Van Dyne & Pierce, 2004) and decides not to leave.

Second, we show that there is an interesting relationship between justice salience and responses to dissatisfactory status quos. Research on justice salience (Brockner et al., 2015; Cojuharenco & Patient, 2013) show that temporal effects, construal levels, and work experience influence which types of justice or injustice is salient to the individual and this in turn influences their cognitive, emotional and social responses to injustice. In this paper, we show that unjust situations are not salient to the choice to remain loyal and remain in the status quo. On the other hand, perceptions of injustice are salient to individuals who express voice, express intentions to find alternate employment, or become entrepreneurs. While exit intentions are driven by perceptions of personal justice, voice intentions are explained both by personal and systemic justice. Understanding what explains these differences in justice salience will further help us understand how the individual chooses to overcome dissatisfaction and in turn explain voice and entrepreneurial intentions.

## 4. Exit from Dissatisfaction as a Complement to the Opportunity Construct

### 4.1 Introduction

Since Venkataraman (1997) and Shane and Venkataraman (2000) sought to distinguish the field of entrepreneurship from other related fields, the opportunity construct has been considered central to the field. The study of “how, by whom, and with what effects opportunities to create future goods and services are discovered, evaluated, and exploited” (Venkataraman, 1997) has occupied scholarly interest for the last 22 years. In a recent literature review over 210 articles have been cited as explaining and/ or working with the construct<sup>3</sup>. While some scholars have worked on particular themes such as discovery and creation (Alvarez & Barney, 2007; Braver & Danneels, 2018; Smith, Moghaddam, & Lanivich, 2018), subjective and objective (Gartner, Shaver, & Liao, 2008; McMullen & Shepherd, 2006), first and third person opportunities (McMullen & Shepherd, 2006), and opportunities as propensities (Braver & Danneels, 2018; Ramoglou & Tsang, 2016), others have argued that the opportunity construct lacks conceptual clarity (Davidsson, 2015; Foss & Klein, 2018), and yet others have argued for the importance of the notion of opportunity and the advantages of rallying around it (Shepherd et al., 2019; Wood & McKinley, 2018). While this debate has resulted in many useful conceptual and empirical distinctions about the construct and its limitations, in this paper, we offer the notion of exit from dissatisfaction as a complementary construct that explains the individual-opportunity nexus by connecting the individual embedded in current institutional structures to

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<sup>3</sup> Since Davidsson’s 2015 review of the opportunity construct, I found 80+ articles in management and entrepreneurship literature that mention entrepreneur and opportunity in the text and 25 articles that are primarily about opportunity and engage in refining and/ or debating the construct.

the future good or service they choose to discover, create, evaluate, or exploit. In order to do so, we examine what entrepreneurs actually do and say when they talk about their ventures and what difference the exit framing makes in the way the venture is created.

The notion of exit has been studied extensively in liberal political philosophy and economics (Borchers & Vitikainen, 2012; Kukathas, 2003). When current institutional structures decline, Hirschman argues that the individual has three possible options: remaining loyal, exerting voice, or leaving for alternate jobs or other available choices (Hirschman, 1970). Liberal political philosophy has the most developed notion of exit and argues that the availability and possibility of exit out of associations that the individuals do not like or want to be a part of is the basis of freedom (Kukathas, 2003). Even though the notion of exit from dissatisfaction and decline is central to these streams of literature, the choices to exit to are largely assumed to exist already. Yet, these choices, Venkataraman (2002) points out, have to be created by human action and interaction through entrepreneurial processes. As individuals seek to find ways to leave or come out of dissatisfactory situations, they engage with multiple stakeholders, interact with institutions, and more broadly engage in entrepreneurial processes in order to build paths and choices for themselves and others to exit into. In other words, at “the highest level of abstraction” (Welter, Mauer, & Wuebker, 2016, p. 5), we suggest that instead of “identifying and exploiting opportunities” (Welter et al., 2016, p. 5), entrepreneurs are seeking to find ways out of dissatisfactory status quos.

In this paper, we present the idea of exit from dissatisfaction as a complement to the opportunity construct to more completely explain who chooses to engage in activity leading to the creation, discovery, and exploitation of future goods and services and how and why they engage in the entrepreneurial process. This paper is structured as follows: first we describe the



various opportunity debates and the current status of the opportunity literature in order to explain the problems and the gaps with the literature. We then examine alternate vantage points of entrepreneurial action such as the Austrian notion of alertness and entrepreneurship with broader implications than wealth creation such as poverty alleviation and emancipation and argue that dissatisfaction more completely explains how individuals get from their current state to the eventual discovered or created opportunity. We then show that entrepreneurs talk about dissatisfaction when they talk about their ventures and show that framing the entrepreneurial starting point as dissatisfactory status quos rather than opportunities leads to substantive differences in how the individual engages in entrepreneurship. Finally, we connect this notion of exit with various streams of opportunity literature and argue that dissatisfaction and exit leading to opportunity is a more complete conceptualization of the central role of the entrepreneur.

## **4.2 Opportunity**

As the field of entrepreneurship sought legitimacy, Venkataraman and colleagues (Shane & Venkataraman, 2000; Venkataraman, 1997; Venkataraman, Sarasvathy, Dew, & Forster, 2012) provided a definition of the field focused on the nexus of the individual and opportunity as a unique question for the field of entrepreneurship. This delineation of the field of entrepreneurship research allowed scholars to answer questions related to the individual characteristics of the entrepreneur, the characteristics of the environment, and the interaction between the entrepreneur and the environment. Recent literature reviews show that the field has developed a conceptual and empirical understanding of the processes through which opportunities are created and discovered; are perceived subjective, objective, or intersubjective; and are split into first and third person opportunities (Busenitz, Plummer, Klotz, Shahzad, & Rhoads, 2014; Davidsson, 2015; Shepherd et al., 2019). At the nexus of the individual and the

opportunity, we understand processes through which they evolve such as improvisation, bricolage, or effectuation (Welter et al., 2016), the cognitive and emotional antecedents to opportunity evaluation (Shepherd, 2015), and the interaction between institutional development and venture creation (Jennings et al., 2013; Mars & Lounsbury, 2009; Zhao & Lounsbury, 2016). In further attempts to understand and focus on the social and interactive aspects of the entrepreneurial process, Venkataraman et al. (2012) have suggested that the focus of research should be moved from a single entrepreneur interacting with the environment to the multiple stakeholder interactions that characterize the process through which opportunities are initiated, exploited, and developed.

In attempts to clarify the construct and its usefulness to the field, scholarly opinion ranges from finding other suitable constructs that explain the entrepreneurial process, retaining the construct, or as a middle-ground, refining the construct. In favor of abandoning or at least substantially revising the construct, Davidsson (2015) argues that the opportunity construct, in order to remain useful, should be broken down into new venture ideas, opportunity confidence and external enablers and suggests that the nexus of the actor with the new venture idea captures the notion of entrepreneurship more fully. However, as recent inductive reviews show, the field of entrepreneurship gleaned a lot of understanding about how to initiate and engage with the pursuit of entrepreneurial opportunity while embedded in particular environments (Shepherd et al., 2019). And, since scholars still see value in the construct, as evidenced by the number of publications around it, researchers seek to refine the opportunity construct and reframe it as propensities that come into existence based on cognitive contact (Ramoglou & Tsang, 2016), as narratives (Garud & Giuliani, 2013), as evolving over time and based on language (Dimov, 2018), and as an integrative umbrella that unifies what the field is trying to do (Wood &

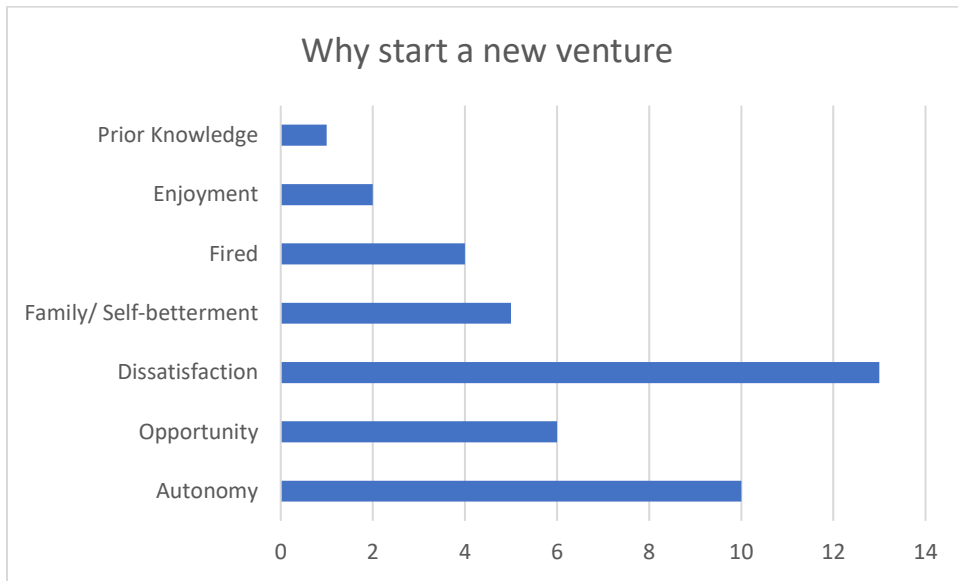
McKinley, 2018). Yet, as Davidsson (2015) points out, we seem to know disappointingly little about the characteristics of these opportunities, and what the stages of opportunity are in the journey from non-existence of the “future” good or service to its existence. And interestingly, when we look at the data on entrepreneurial intentions and motivations, we see similar patterns.

#### ***4.2.1. Data on entrepreneurial intention and motivation***

We look at how entrepreneurs actually talk about their intention to start new ventures in order to empirically examine the role of the opportunity construct. Here, we examine whether entrepreneurs actually talk about opportunity when asked about why and what prompted them to start their venture. We look at the data from two different data collection efforts. First, we conducted a pilot study on MTurk asking for qualitative open-ended data on entrepreneurial intentions and second, we examined the PSED-II data for questions relating to why individuals started their ventures and used their pre-coded categories to characterize the frequency of the occurrence of the opportunity construct.

In the first study, we use MTurk data and examine whether entrepreneurs actually talk about opportunity in considering why they started their venture. For a general description of MTurk and the procedures used in the MTurk platform please see section 3.3.2 of this dissertation. For this study, we recruited 60 individuals to answer an open-ended question about what prompted them to start their new ventures. The study took about 10-12 minutes on average to complete and the participants were paid \$1 as payment for completing the survey. We selected participants with greater than 95% approval rate to participate in this study based on accepted best practices for conducting MTurk studies. Further, since the answers were qualitative, we were able to filter responses based on whether the participants were actually answering the questions by removing filler qualitative responses and retaining the meaningful ones.

We had 35 usable responses and coded them based on words that they used. We did not categorize the responses except in terms of synonyms such as freedom and autonomy, or enjoyment and pleasure, or got fired and laid off, where we combined the responses into one heading. The full list of keywords that the respondents used is presented in the following figure.



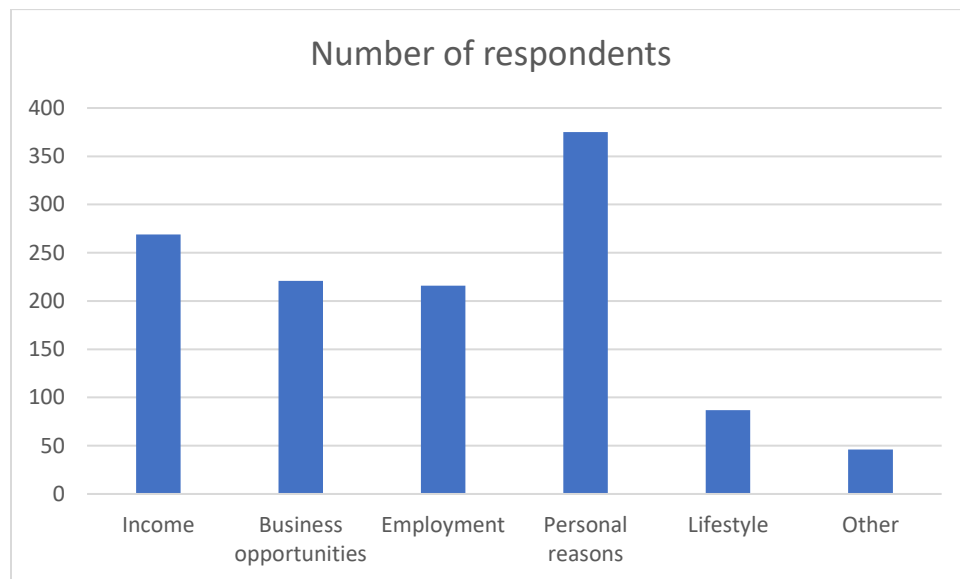
**Figure 4.1** *Why would you decide to be an entrepreneur?*

Dissatisfaction with their current condition was cited as the most important reason to become an entrepreneur. This was followed by autonomy or freedom seeking and then, the pursuit of opportunity. The pattern of responses indicates that the pursuit of opportunity is one reason entrepreneurs cite when asked why they chose this career path but it is not necessarily the most important one.

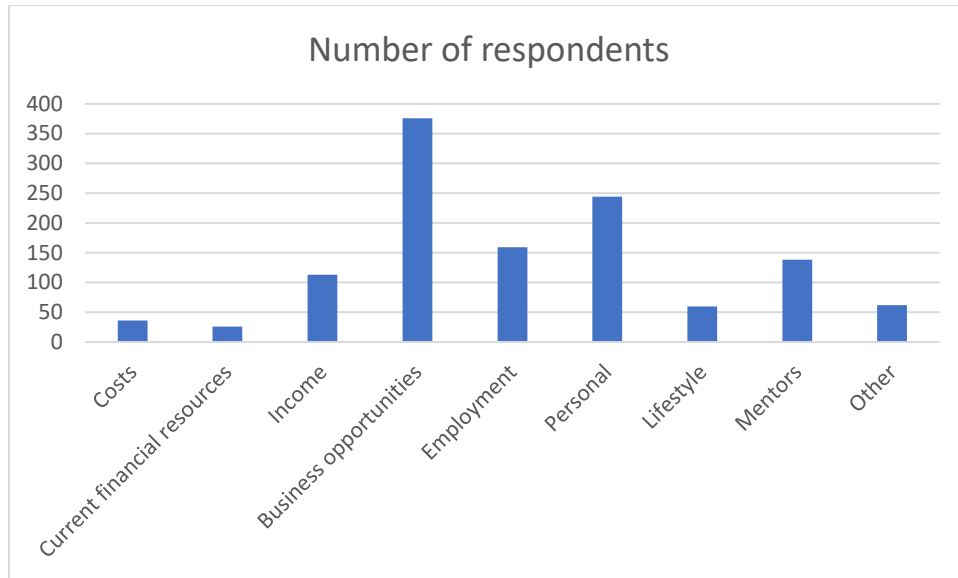
While we had only 35 respondents in this survey and we asked open ended questions, we found that this pattern was replicated with the PSED-II data on early stage entrepreneurs collected independent of this research question across the US. The PSED II database was designed to collect data in the early stage of the venture creation process. The PSED II data

provides a representative sample of nascent entrepreneurs across the US and has questions that relate to the new venture creation process. The PSED II database consists of 1,214 nascent entrepreneurs collected in 2005-2006. The complete data is in the public domain along with extensive documentation and is available at <http://www.psed.isr.umich.edu/psed/>.

From this database, we use two questions: AA2a and AA5a: “Why do you want to start this new business?” and “What are the one or two main opportunities that prompted you to start this new business?” respectively. The responses were coded into various headings such as opportunity, income, employment, personal reasons, lifestyle and other. Out of 1214 responses, only 18% entrepreneurs mention business opportunity (ref Figure 4.2) as the reason for starting a business and even when asked what business opportunity prompted you to start a business, only 30.97% mention business opportunity (ref Figure 4.3).



***Figure 4.2 Why do you want to start this new business***



***Figure 4.3 What are the one or two main opportunities that prompted you to start this new business***

The PSED II data also shows that when asked about why individuals start ventures, the pursuit of opportunity is not the most important reason to do so. Dissatisfaction with their current employment conditions and income or personal reasons explained the bulk of the motivations to start a new venture (figure 4.2) and the pattern holds true even when the question is framed as what opportunities prompted you to start the venture (figure 4.3).

Together these data empirically point out the pragmatic limitations of the opportunity construct in accounting for entrepreneurial intention and motivation and suggests that dissatisfaction with the status quo would explain a larger part of entrepreneurial intention and motivation. Given that dissatisfaction with current conditions is an important motivation for entrepreneurs to start ventures, we examine archival entrepreneur narratives to understand how individuals talk about their ventures, specifically looking at incidences of opportunity and dissatisfaction next.

### 4.3 Entrepreneurship as exit from dissatisfaction

Since dissatisfaction and opportunity are different frames, we looked at entrepreneurial narratives to understand how entrepreneurs frame their narratives when they talked about their ventures. We examine narratives of social entrepreneurs from Ashoka (<https://www.ashoka.org/en/stories>) and commercial entrepreneurs from websites or news sources such as Washington Post and Forbes to look at what they actually talk about.

We theoretically sampled stories of both social and commercial entrepreneurs and picked narratives where individuals were creating ventures for themselves, to help others, or to serve an underserved market. In each case, we summarize the founder’s story in Table 1 and code it based on the motivation for engaging in entrepreneurship. We show that the entrepreneurial journey begins with some sort of dissatisfaction with the status quo leading to entrepreneurial action as a result of seeking ways to exit the status quo.

Number	Venture	Why and how it was created	Coding	Source
1	Performing arts theatre that provides a platform for children and adults	Founders did not have platforms to showcase their art, painting, opera skills, singing, acting and narration. Had to start somewhere and decided to plan events and create this platform for themselves and others	Dissatisfaction with existing choices.  Entrepreneuring as exit for themselves	ASHOKA website
2	innovative ambulance - motorcycle with first respondent gear	When he was 6, the founder witnessed a bombing. Someone called for help and he did not know what to do and ran away. This event made him want to learn to help	Dissatisfaction with inaction.	ASHOKA website

		and teach others to save lives during emergencies	Entrepreneuring as exit for others	
3	Training in music, art, dance, puppetry, film, and music	Witnessed violence and tension as a child in Israel. Left the country to study through a scholarship but yearned to teach his community that there are options other than violence	Dissatisfaction stemming from violence and injustice.  Entrepreneuring as exit for themselves and others	ASHOKA website
4	improve human rights situation in Pakistan through legislation, citizen groups, legal profession, media, social movements.	A Pakistani leader's son was murdered and his family was tortured. He received help to leave the country from a human rights activist. The possibility of being able to leave helped in restoring his dignity and faith in himself and his family. Decided to help others facing human rights issues in Pakistan to leave, or protest	Dissatisfaction stemming from injustice.  Entrepreneuring as exit for themselves	ASHOKA website
5	Boxed: Costco for millennials	The founder wanted an inexpensive and accessible alternative to shop for groceries and home goods. Founder quote: " I was basically trying to solve a problem that I myself have. I grew up in the burbs, and every other weekend would go to the Price Club, and then I went to the city and didn't have a car anymore. Am I just supposed to get ripped off?"	Dissatisfaction with existing choices.  Entrepreneuring as exit for themselves	Forbes
6	FUBU	Many fashion designers did not want to acknowledge that they were making money out of the hip hop community- African Americans, break dancers. Someone had to be proud to create clothes	Dissatisfaction stemming from injustice and with existing choices.	Washington Post



		for this segment. It wasn't about race or color. It was about hip-hop	Entrepreneurship as exit for themselves and others	
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***Table 4.1 Venture creation as exit from dissatisfaction***

The sources of dissatisfaction are varied and range from perceptions of injustice, lack of choices, and regret at inaction. Case 1 begins with the lack of performance space for showcasing young talent, and case 5 starts with a need to find access to inexpensive groceries. Both cases show a dissatisfaction with existing available choices and a realization that these choices have to be created. While case 1 leads to a social venture, case 5 resulted in a commercial venture. Case 4 showcases personal injustice and violence as a motivation for entrepreneurship and case 6 begins with anger at exclusion. In both cases, the dissatisfaction stems from witnessing personal and societal injustice against specific groups and resulted in a social and commercial venture respectively. Cases 2 and 3 both result in social ventures and are a result of a dissatisfaction at a temporally distant time. In case 2, the entrepreneur did not act and therefore felt regret and in case 3, the entrepreneur went on to gather skills to disseminate the idea that engagement with art is an alternative to violence.

In each case, the individual was dissatisfied with something in their view of the world and found that there were no available alternatives to exit into and therefore decided to engage in entrepreneurship. More broadly, going back to the process perspective of entrepreneurship that the Austrian tradition exemplifies, exit from dissatisfaction as a construct encapsulates the sources of dissonance based on what the world is and what it ought to be (Valliere, 2013). Dissatisfaction with the status quo has three possible responses according to Hirschman, exit to

alternate jobs, voice, and loyalty. Under conditions where there are no alternate choices, as described in the vignettes shown above, exit requires entrepreneurial action. The entrepreneurial process that follows is then based on the entrepreneur's attempts to bring his view of the world back into equilibrium either by interacting with existing stakeholders or by transforming stakeholder networks and finding new states of equilibrium. In Venkataraman (2002)'s work, the former process is described as a weak equilibration process and the latter process is described as a strong equilibration process.

This is in line with entrepreneuring as emancipation literature where the need to escape leads to entrepreneurial action (Rindova et al., 2009). However, outcomes of exit from dissatisfaction is not limited to particular ends such as emancipation. As described in Figure 4.3, one of the results of entrepreneurial action could be emancipation or autonomy seeking whereas others include wealth creation, opportunity exploitation, and other personal reasons. Additionally, the narratives described in Table 1 also echo these patterns of entrepreneurial action. The results show that entrepreneuring stemming from dissatisfaction is not just a result of autonomy seeking, but is also a result of lack of choice, regret about inaction, need for inclusion, and a mechanism to come out of injustice. Beginning with dissatisfaction leading to exit from status quo serves as a more general starting point that can explain all of these outcomes.

#### **4.4 The limitations of opportunity and exit from dissatisfaction as a construct**

##### ***Criticisms from Austrian economics***

The basis of opportunity research beginning with Venkataraman (1997) are the disequilibration and equilibration market processes described in Austrian economics. The Austrian economics literature explains the market process and describes the agent involved in

both equilibrating and disequilibrating processes as the entrepreneur (Foss & Klein, 2012). Critiques of the opportunity construct in the Austrian tradition argue that the opportunity is manifest only ex-post and instead suggest a framework of entrepreneurship that begins with entrepreneurial beliefs, actions, and results based on entrepreneurial judgement (Foss & Klein, 2018; Foss & Klein, 2012, 2017). Going back to early work in this tradition, the entrepreneur is credited with “entrepreneurial alertness” that allows the individual to see opportunities where none exist (Kirzner, 1997; Tang, Kacmar, & Busenitz, 2012; Valliere, 2013). While antecedents to alertness have not been sufficiently explored, Kirzner and other more recent scholars (Kirzner, 1997; McCaffrey, 2014; Tang et al., 2012; Valliere, 2013) argue that alertness stems either from external technological shifts or market jolts or internal incongruencies in the individual’s picture of what the world is and what it ought to be. While external jolts have been studied and accounted for in the entrepreneurship opportunity literature in terms of opportunity discovery, its antecedents, and its consequences (see for instance: Tang et al. (2012)), the entrepreneurship literature is still unable to explain what causes internal dissonance with the current state of the world unless we resort to extremes such as radical subjectivism (Wiseman, 1983) or the imagined subjective state of the world in the entrepreneur’s mind (Dimov, 2011; Foss, Klein, Kor, & Mahoney, 2008).

### ***Poverty and entrepreneurship and the limitations of the opportunity construct***

To understand this idea of dissonance and dissatisfaction, we turn to entrepreneurship that deals with specific but non-traditional entrepreneurship outcomes such poverty alleviation (Sutter et al., 2019). Outcomes such poverty alleviation have connotations of seeking ways to leave dissatisfactory status quo situations which can range from oppressive regimes, institutional structures with certain forms of injustice (see chapter 3 of this dissertation) in order to come out

of abject poverty (see chapter 2 of this dissertation). Entrepreneurship is considered critical to efforts relating to poverty alleviation. Over 200 articles have been published describing the relationship between poverty alleviation and the entrepreneurial process (Sutter et al., 2019). These articles either consider poverty a result of lack of resources, exclusion, or corrupt and broken systems and institutions. In each condition, entrepreneurship allows individuals to participate in the market process, facilitate inclusion, or change the structure of the society.

The opportunity construct is limited in its ability to explain the role of the entrepreneurial process in poverty alleviation. Scholars in this tradition assume opportunity, economic growth and wealth creation is the basis of entrepreneurial action (Rindova et al., 2009). Against these measures, under conditions of abject poverty, entrepreneurs are considered fatalistic and their roles seem pre-destined and therefore necessity based rather than based on opportunity (Slade Shantz, Kistruck, & Zietsma, 2018). The wealth creation potential and the innovation potential of entrepreneurship focused on poverty alleviation is considered much lower than opportunity-based entrepreneurs (Alvarez & Barney, 2014). These entrepreneurs are also evaluated as being less innovative or not contributing to economic growth that can be achieved by entrepreneurs pursuing discovery or creation opportunities (Alvarez & Barney, 2014). Yet, these entrepreneurs achieve important economic and social objectives including changing societal structures and inclusion (Kent & Dacin, 2013; McMullen, 2011; Sutter et al., 2019; Tobias et al., 2013).

### ***Emancipation and entrepreneurship and the limitations of the opportunity construct***

Entrepreneurship as emancipation allows us to include entrepreneurial efforts with different motivations into the milieu (Rindova et al., 2009). Emancipation seeking entrepreneurs break free from perceived technological, social, and institutional constraints and seek to change the world for themselves and others. While the opportunity construct focuses on wealth creation,

the emancipatory construct looks at entrepreneuring as having a broad change potential (Alvarez & Barney, 2014; Jennings et al., 2016; Sutter et al., 2019). Yet, emancipation or poverty alleviation or emancipation fixes the outcomes of entrepreneuring ex-ante.

### ***Exit from dissatisfaction as a complementary construct***

Instead of focusing on emancipation as the only possible outcome, focusing on the notion of dissatisfaction and exit allows us to understand the nature of the process of entrepreneuring with broad change potential. This process begins with a dissatisfaction with the status quo and results in multiple outcomes including emancipation, the creation or discovery of opportunities, and other psychic and social benefits to the entrepreneur. As shown in the entrepreneurial narratives in the previous section, emancipation is only one possible outcome of finding ways to come out of dissatisfaction. Therefore, this notion of exit from dissatisfaction unifies the constructs of emancipation and opportunity and serves as a starting point to frame the problem space that the entrepreneurial individual contends with.

## **4.5 So what?**

So far, we have argued for the existence of an alternate construct – exit from dissatisfaction - as a motivation for entrepreneurship. We have shown that the opportunity construct is complemented by the construct of dissatisfaction from exit and using both these ideas together allows us to account for a broader range of entrepreneurial outcomes. We have also shown that entrepreneurial narratives begin with dissatisfaction with the status quo and this fits in quite well both with Austrian economics and with non-traditional entrepreneurial perspectives such as emancipation and poverty alleviation. In this section, using vignettes and based on qualitative data, we show that framing the entrepreneurial problem as an opportunity

vs. framing it as a dissatisfactory status quo has different implications for how the entrepreneurial process unfolds.

In order to understand the differences between starting with opportunity and starting with exit, we used an MTurk survey with 100 participants where we randomly presented the participants with one of two scenarios: 60 participants read a scenario that describes an entrepreneurial opportunity used in Grégoire, Barr, and Shepherd (2010) and the other 60 participants read a scenario that described dissatisfaction. We asked participants to describe what they would do, what entrepreneurial opportunities they would pursue, and who they would talk to following the scenario. Additionally, we asked them for demographics related data.

For a general description of MTurk and the procedures used in the MTurk platform please see section 3.3.2 of this dissertation. This study took about 15 minutes on average to complete and the participants were paid \$1 as payment for completing the survey. Participants were told that this is a survey related to early stage entrepreneurship and asked explicitly for their consent before they participated in the survey. We selected participants with greater than 95% approval rate to participate in this study based on accepted best practices for MTurk data collection. Further, since the answers were qualitative, we were able to filter responses based on whether the participants were actually answering the questions by removing filler qualitative responses and retaining the meaningful ones.

After filtering out non-usable responses based meaningless qualitative responses, we had 34 participants who read the opportunity vignette and 48 who read the dissatisfaction vignette. The opportunity vignette was based on Grégoire et al. (2010)'s empirical work on opportunity and we wrote a comparable vignette for the dissatisfaction treatment. We present both the vignettes in *Appendix B*. The dissatisfaction vignette was comparable to the opportunity vignette

in the number of words and the amount of time it took to read. We then asked the same questions following after both vignettes. The questions we asked were open ended questions about what they would do next, what opportunities they would pursue, who they would talk to, and demographics. The questions are also presented in *Appendix B*.

The descriptive statistics of the sample are described in table 2 below. The sample consisted of 82 individuals. Out of these, 22 were female, 59 were male, and one participant was gender non-conforming. The mean age of the sample was 25.6 years (SD: 9.073) and over 90% of the sample had a 4- year college degree (92.7%). 53.7% of the sample had parents with entrepreneurial experience, and 84.1% of them were employed full-time. The average work experience was 7.4 years (SD: 2.884), entrepreneurial experience was 2.45 years (SD: 3.155), the number of ventures started was 1.01 (SD: 1.222), and the average number of entrepreneurs they knew was 2.94 (SD: 2.768).

<b>Characteristic</b>	<b>Percent of Sample/ Mean</b>	<b>SD</b>
Sample Size		82
<b>Age (years)</b>	25.6	9.073
<b>Gender</b>		
Female	26.80%	
Male	72.00%	
Gender non-conforming	1.20%	
<b>Highest degree received</b>		
Up to high school	4.90%	
Some college or 2-year degree	25.60%	
Undergraduate degree	62.20%	
Masters	7.30%	
<b>Marital status</b>		
Married	41.50%	
Not married	50.00%	
Widowed/ Separated/ Divorced	8.50%	

<b>Parents with entrepreneurial experience</b>		
Neither	17.10%	
Mother	7.30%	
Father	29.30%	
Both	46.30%	
<b>Employment</b>		
Full time	84.10%	
Part time	8.50%	
Unemployed/ retired/ student	7.40%	
<b>Number of children</b>	0.79	1.063
<b>Work experience in years</b>	7.4	2.884
<b>Number of ventures</b>	1.01	1.222
<b>Entrepreneurial experience in years</b>	2.45	3.155
<b>Number of entrepreneurs you know</b>	2.94	2.768

*Table 4.2 Descriptive statistics*

We conducted a one-way ANOVA to make sure that there was no difference in the demographics between the dissatisfaction and opportunity conditions. There was also no difference between the entrepreneurial self-efficacy ( $F=.729$ ,  $p=.396$ ) and passion ( $F=.177$ ,  $p=0.675$ ) between the two conditions.

We then counted the number of stakeholders they would talk to and found that participants in the dissatisfaction condition mentioned more stakeholders compared to the opportunity condition ( $F=2.812$ ,  $p=0.098$ ). The most frequently mentioned stakeholders were family, friends, and colleagues. Interestingly, in the opportunity condition, a few participants specifically stated that they were afraid someone would steal their opportunity and therefore would not talk to anyone exemplified by quotes like “At this early stage of study, I will be researching this by myself and 'off-the-grid'”, and “I will not talk to anyone while making my



own perception and opinion of the new technology”, “nobody, secrecy is key”, and “I will talk to no one at first”. Every participant in the dissatisfaction condition mentioned at least one stakeholder in their responses.

Next, we counted the number of items each participant mentioned in the “what they would do next” and “what opportunities they would pursue” and there was no difference in the actual number of opportunities identified or plans of action identified. However, when we coded the qualitative data based on the kinds of responses, we found difference in variety of responses of what they would do next and what opportunities they would pursue. Individuals in the opportunity condition came up with more variations in what they would do. In the opportunity condition, individuals came up with ideas of platforms, games, VR, education, partnerships, experiments, licensing, investing ideas, reverse engineering, consoles, and artificial intelligence. Individuals in the dissatisfaction condition across participants came up with only three ideas on the whole: source bamboo suppliers, find a different money lending scheme or a different source of finance, and/ or talk to various stakeholders to understand the problem better. This is in line with opportunity research that argues that entrepreneurs pursuing creation and discovery opportunities are more innovative compared to those pursuing poverty alleviation or necessity type problems (Slade Shantz et al., 2018).

Additionally, in the opportunity condition, the ideas are more abstract and involve figuring out or imagining what they could do whereas in the dissatisfaction condition, the ideas were more concrete and involved plans of action such as setting up a town meeting, meeting the mayor, talking to the money lender, and spending time in the village. Finally, individuals in the opportunity condition mentioned a need to understand the market. One respondent felt the need to “research this more to see the pros and cons” and another mentioned “I would do some market

research to see if the idea is viable. I want to do more research to find out what consumer reactions would be to this technology and if the market is ready for this” and a third indicated that they would educate the consumer that they need the product. Individuals in the dissatisfaction condition, however, do not mention market research or question the need for entrepreneurial action. This probably led to more concrete, if fewer, plans of action compared to the respondents in the opportunity condition.

Together, these results suggest that there are fundamental differences in the way individuals who frame entrepreneurship as dissatisfaction and entrepreneurship as opportunity engage in action. Individuals motivated by dissatisfaction are more likely to talk to more stakeholders, more likely to come up with concrete plans of action, and are less likely to come up with a variety of different possible things they can do. On the other hand, individuals in the opportunity condition are less likely to talk to stakeholders, more likely to engage in market research, more likely to come up with variety in what they could do, and are more likely to come up with ideas that are abstract and require more research and require work on need identification. These differences in action at the very least suggest that using the language of opportunity vs. exit from dissatisfaction changes the entrepreneurial process both theoretically and pragmatically and therefore, and therefore warrants more investigation in order to uncover patterns of entrepreneurial action.

## **4.6 Discussion**

In this paper, based on the state of theoretical debate in the opportunity literature and using archival and survey data, we show both theoretically and empirically that there is a construct based on dissatisfaction and the need to exit dissatisfactory status quos that leads

individuals to entrepreneurial action. We show that entrepreneurs typically frame their venture narratives as exit from dissatisfaction and that beginning with dissatisfaction vs. opportunity significantly impacts the way individuals think about the entrepreneurial process. Together, all of this points to a need to engage with dissatisfaction from entrepreneurship as a motivation for entrepreneurship that is different from and perhaps broader than the construct of entrepreneurial opportunity.

The major criticisms of the opportunity construct stems from the notion that by the time the individual understands and defines the opportunity, entrepreneurial actions have already been set in motion and makes the notion of opportunity unnecessary (Davidsson, 2015; Foss & Klein, 2018). Instead, scholars have suggested that we focus on more tractable components of opportunity such as enablers, new ideas, and opportunity confidence, or alternate constructs such as entrepreneurial judgement (Davidsson, 2015). Here, we take an alternate approach and show that at the most abstract level, rather than the pursuit of opportunity, individuals seek ways to come out of dissatisfactory status quos and entrepreneurial action leads them to discover and create opportunities. Therefore, while opportunity and the extensive research around it is valuable, considering the notion of exit from dissatisfaction allows us to understand and theorize more fully about how and under what conditions individuals engage in entrepreneurial action. The notion of dissatisfaction from exit presented here allows us to engage with the nexus of the individual embedded in the current dissatisfactory environmental conditions who is discovering and creating future goods and services in order to come out of their dissatisfaction.

Beginning with dissatisfaction leading to the creation or discovery of opportunity gives us a whole set of new research questions about the relationship between dissatisfaction and the major accepted streams of opportunity research (Alvarez & Barney, 2007; Alvarez et al., 2017).

For example, under what conditions do individuals discover vs. create opportunities when they are dissatisfied with a status quo is an interesting question. Exploring the notion of entrepreneurial alertness in Austrian economics gives us an inkling of what these conditions might look like (Tang et al., 2012; Valliere, 2013). Scholars in this tradition argue that there are two sources of dissatisfaction: external and internal. External sources of dissatisfaction are caused by technological shocks or environmental jolts and internal sources are caused by a dissonance between what the state of the world is and what the individual imagines it ought to be. It could be argued that when the dissatisfaction stems from external sources, the individual is led to discover opportunities and when it stems from internal sources, the individual engages in opportunity creation, in order to exit the dissatisfactory state of the world.

The notion of dissatisfaction developed here is closer to non-mainstream entrepreneurial outcomes where entrepreneuring leads to emancipation, poverty alleviation, and inclusion (Rindova et al., 2009; Sutter et al., 2019). Yet, research in these streams of poverty alleviation or emancipation pit these ideas against the notion of opportunity. While emancipation and poverty alleviation research show that entrepreneurial action leads to equality, or inclusion into the mainstream societal structure (Sutter et al., 2019), opportunity research begins with the assumption of equality and inclusion, and shows that innovation, economic growth, and wealth creation occur as a result of entrepreneurial action (Alvarez & Barney, 2014; Slade Shantz et al., 2018). Here, we show that both social and commercial ventures frame their narratives as exit. This allows entrepreneurs to integrate economic, social, and environmental objectives and talk about their ventures as tools or structures that solve problems for themselves or those around them. This perspective of entrepreneurship as exit then, speaks to entrepreneurship as a method

for solving human problems effecting changes in the design of institutions, legislation, and organizations (Sarasvathy & Venkataraman, 2011).

Finally, since framing the entrepreneurial condition as exit from dissatisfaction or pursuit of opportunity changes the way individuals engage in the entrepreneurial process, this points to the importance of teaching the entrepreneurial method as exit from dissatisfaction as well. Teaching or engaging with entrepreneurship as exit from dissatisfaction requires that the individual delve into their past experiences and focus on what they want to change. This begins from a point of lived experience and prior knowledge, unfolds based on stakeholder interactions, and proceeds through an examination of what parts of the environment the individual is loyal to, wants to protest against or change internally, and exit out of, through entrepreneurial action.

## **5. Concluding Remarks and Future Research Directions**

In this dissertation, I set out to investigate the systematic role of the entrepreneurial process in societal change. Beginning with Hirschman, and conceptualizations of exit from political economics, I argued that entrepreneurs begin by recognizing or perceiving dissatisfaction in their status quo situations and employ entrepreneurial processes in order to come out of it. In this section, I briefly review the findings and arguments in the dissertation, explain the boundary conditions of the theory and empirical work developed here, discuss contributions to various streams of literature and present future research directions. I conclude by providing limitations of the dissertation and hope to spark interesting conversations in entrepreneurship, organizational behavior, and political economics.

### **5.1 Review of findings**

In Chapter 2, I argued that the social entrepreneurial process begins with poignant problems under conditions of market failure. Social entrepreneurs seek ways to solve these problems by escalating them using voice, and if that does not work, exiting the status quo by re-negotiating or recreating value propositions with existing and new stakeholders. The entrepreneurial process cycles through status quos, escalates through voice, and culminates in the creation of new choices for themselves and others to exit to. I describe this process using Grameen bank as an example in Chapter 2. Using this example, I derive propositions that explain how the individual cycles through weak and strong voice and loyalty using a 2x2. The individual entrepreneur can begin and end in any quadrant in the 2x2 that begins with loyalty to the status quo and culminates in strong exits depending on which piece of the problem the individual is

interested in solving and what, how much and what kind of resources she is willing to commit to the process.

In Chapter 3, I empirically show that injustice in organizational structures pushes the individual to exert voice, find alternate employment, or engage in entrepreneurship. In other words, the individual seeks to come out of unjust status quos and uses various options such as voice, finding other jobs, and engaging in entrepreneurship in order to do so. Entrepreneurship is the most difficult choice since it causes the most disruption in the person's life. Given these multiple choices, in unjust situations, individuals choose to engage in entrepreneurship when they do not have a psychological attachment with the organization, and when they perceive that engaging in changing the organization from within is futile. Further, when faced with injustice, when individuals perceive that they have been treated fairly, they are more likely to express entrepreneurial intentions.

In Chapter 4, I show that exit is complementary to the opportunity construct. Typically, entrepreneurs describe their venture narratives as exit mechanisms from particular societal or personal dissatisfactory situations that they have encountered. Further, I show that framing an entrepreneurial venture as opportunity vs. exit significantly impacts the venture creation process. I show that entrepreneurs typically frame their venture narratives as exit from dissatisfaction rather than the pursuit of opportunity. I also show that beginning with dissatisfaction (rather than opportunity) leads to more concrete (vs. abstract) choices for action, fewer variations (vs. more) in terms of what to do, and more stakeholder engagement (vs. less).

## **5.2 Assumptions, Boundary Conditions, and Limitations**

In this section, I describe the assumptions and boundary conditions of the theory developed here and the limitations and opportunities as a result of my methodological choices in the empirical papers.

### ***5.2.1 Theoretical assumptions and boundary conditions***

This dissertation is primarily an extension of Hirschman's framework of exit, voice, and loyalty as responses to institutional decline when we examine it from the perspective of market processes or market failures. In doing so, I retain all the other assumptions that the Hirschman makes about the nature of the institutions and the individuals within them. Hirschman begins his work with an interesting phrase "repairable lapses of economic actors" (Hirschman, 1970, p. 1). When scholars observe organizations or institutions of any kind are in decline, he says that they are quick to ascribe motive to the individual, institution, or the State and call them immoral, corrupt, or decayed. However, major sources of decline are either random or due to the bounded rationality of actors acting and interacting within institutional structures. These are the same assumptions and boundary conditions of the theory developed here: I assume that the individuals are boundedly rational but I do not ascribe motivations of corruption, immorality, or decay to the individual or the institutions. Doing so, allows me to further assume that declines of individual satisfaction and institutional efficiency are due to random and subjective factors that are remediable or at least reversible by the individual or the institution (Hirschman, 1970, p. 3) and allows me to describe the most general basis of entrepreneurship as exit from dissatisfaction.

I bring Hirschman's theory of economic market processes to bear on the entrepreneurial processes that individuals engage in in order to create exit pathways for themselves and others.



In developing this framework, I make specific assumptions about entrepreneurial problems. Following Sarasvathy and Venkataraman (2011) and Venkataraman et al. (2012), I assume that entrepreneurial processes are methods to solve poignant societal problems that occur as individuals interact with each other and work within institutions to support economic activity and create social order. The entrepreneurial process envisioned in this manner does not require any particular type of individual or institutional structure, and only requires that people be willing to work with each other towards a shared purpose (Ostrom, 2015). This framing of the problem led me to describe the entrepreneur as a social entrepreneur since the social entrepreneurship literature is the stream of work that deals with the entrepreneurial processes that begin with market failures and poignant tragedies (Grimes et al., 2013; Miller et al., 2012). Yet, both theoretically and empirically, this idea of entrepreneurship as exit is not limited to social entrepreneurship and can be applied equally fruitfully to commercial entrepreneurship as I show empirically in Chapter 3 and Chapter 4 of this dissertation.

### ***5.2.2 Methodological choices and limitations***

In addition, methodologically, the dissertation has some limitations. There are two major limitations that I describe in this section. First, I use cross-sectional data and that limits what I am able to claim empirically as the scope of the theory and second, I rely on the voice literature as the basis of my empirical work and this brings with it both limitations and opportunities that I discuss in more detail below

#### ***Cross-sectional data***

The surveys and experiments that I used in Chapters 3 and 4 are largely cross-sectional and I rely on archival entrepreneurial narratives to account for how the entrepreneurial process

unfolds. This limitation based on my data collection methods does not allow me to draw conclusions about the relationship between how the entrepreneurial process unfolds over the entrepreneur's career, and over the venture's life. When we add the temporal dimension to entrepreneurship as exit, we can begin to look at exit as a series of transformations as a result of individual choices and develop an evolutionary theory of how entrepreneurial actions are central to understanding Hayek (1945)'s description of societal structures that are built and renewed as a result of human action. While I show this temporal dimension of the process using the Grameen Bank narrative in Chapter 2, in order to make a stronger claim about the role of time in the area of entrepreneurship as exit, I would require extensive experiments and narratives that show that entrepreneurship creates and transforms choices available for individual societal actors to exit into and out of.

In addition, adding a temporal dimension to my work will help explain other work in the entrepreneurial domain that relates to (i) organizational life-cycles and entrepreneurship and (ii) individual experiences and its relationship with entrepreneurial action. As an example of organizational life-cycles and entrepreneurship, Walsh and Bartunek (2011) show that when employees are dissatisfied with the death of an organization, the organizational death leads to entrepreneurial foundings. These sorts of phenomena can be studied using the theory developed in this dissertation once we understand the relationship between temporal dynamics of organizational renewal and decline in entrepreneurship as exit. Secondly, individual experiences over time also inform what aspects of dissatisfaction and injustice are salient to the individual and result in entrepreneurship. In a recently published paper, Lam et al. (2017), argue that individuals use voice more often once they understand the positive impact of expressing voice and argue that expressing voice over time turns into a habit that characterizes the individual's

interactions with supervisors. Similarly, future work examining the relationship between entrepreneurial experience and dissatisfaction could investigate the idea of entrepreneurship as habit when injustice is made salient to experienced entrepreneurs. I would expect that experienced entrepreneurs are more likely to perceive injustice and more likely to start new ventures as a result of these injustices.

### ***Based on empirical work on voice***

Finally, I use the extensive empirical literature developed in the voice literature as the basis of the empirical work in this dissertation especially in Chapter 3 where I examine individual responses to injustice. This allows me to lean on the robustness and rigor of variables and constructs developed in this stream of literature in organizational behavior (Bashshur & Oc, 2015). However, taking on this empirical tradition requires that every time I hypothesize relationships between variables that I am interested in and understanding what explains entrepreneurship as exit, I either (a) have to rule out voice as an alternate dependent variable that explains the same relationship or (b) control for voice i.e., explain the role of exit into entrepreneurship while also accounting for the effect of voice. This makes the empirical models more complex. However it also makes the empirical models more nuanced, contributes to the voice literature in OB, and explains the complexities involved in the decision to become an entrepreneur.

## **5.3 Contributions and Future Research Directions**

This section describes the contributions to the entrepreneurship literature, to voice literature, to liberal political philosophy, and to justice literature and explores future research directions.

### *5.3.1 Entrepreneurship literature*

To entrepreneurship literature, we make a case for reimagining the role of the entrepreneur as providing exit options for themselves and others. This makes the entrepreneur inevitable in societal churn processes since entrepreneurial processes undergird the availability of exit options for individuals to choose from. This role for the entrepreneur allows us to talk about entrepreneurship with broad change potential without resorting to dichotomies such as emancipation vs. opportunity (Jennings et al., 2016; Rindova et al., 2009) or social entrepreneurship vs. commercial entrepreneurship (Austin et al., 2006; Estrin et al., 2013; Mendoza-Abarca et al., 2015) where the emancipatory social entrepreneur is engaged with poignant problems whereas the opportunity driven commercial entrepreneur is concerned with wealth-creation and profits. Entrepreneurship as exit does not ascribe particular outcomes to entrepreneuring but still allows us to begin to engage with entrepreneurship as a systematic process that begins with dissatisfaction with declining societal structures, and culminates in the creation of entrepreneurial artefacts such as firms, institutions, and legislations, as the individual seeks to find ways to come out of dissatisfaction.

We also contribute to the entrepreneurship career choice literature. In economics, this is modelled as occupational choice (Parker, 2009). The choice that the potential entrepreneur faces is usually modelled as a dichotomous choice in the occupational choice literature and is typically a choice between unemployment and entrepreneurship, or employment and entrepreneurship (Burton, Sørensen, & Dobrev, 2016; Gronau, 1971; McCall, 1970; Wong, Ho, & Autio, 2005). The literature then models variations in risk (Cramer, Hartog, Jonker, & Van Praag, 2002; Kihlstrom & Laffont, 1979; Wu & Knott, 2006), liquidity (Evans & Jovanovic, 1989; Minniti & Lévesque, 2008), and current employment (Earle & Sakova, 2000; Kuhn, 2000) in order to

predict entry into these different career paths. Here, we show that the career choice for the aspiring entrepreneur is not binary and includes, unemployment, loyalty to their current job, exerting voice, leaving to find alternate employment, or choosing to become an entrepreneur. Levesque et al. (2002) have modelled multiple factors that lead to entrepreneurial entry as a utility maximizing decision between attitudes towards multiple factors including income, independence, risk, and work effort. Expanding on this stream of research, we would predict that the individual also makes a utility maximizing decision regarding which career path to choose by matching their attitudes with exit, voice, and loyalty behavior.

Finally, we also contribute to the recent opportunity debate that argues that the opportunity construct is limited in its ability to incorporate multiple entrepreneurial motivations and the inability of scholars and practitioners to usefully be able to isolate the opportunity ex-ante (Davidsson, 2015; Foss & Klein, 2018; Rindova et al., 2009; Wood & McKinley, 2018). Here, we offer entrepreneurship as exit as a complement to the opportunity construct that bridges the relationship between the individual who is embedded in the societal structure and the social constructed or discovered opportunity. Beginning with Austrian economics and the notion of entrepreneurial alertness that stems from dissatisfaction (Kirzner, 1997; Tang et al., 2012; Valliere, 2013), we argue that the exit framework of entrepreneurship developed here more fully accounts for why, how, and under what conditions certain individuals discover, create, and exploit opportunities to create future goods and services. As the entrepreneur finds ways to exit from dissatisfaction, she finds or creates opportunities for action based on prior knowledge corridors. Eventually, we could argue that, as the entrepreneur becomes more experienced, she becomes better at identifying entrepreneurial opportunities (Shane, 2000) and the opportunity literature then begins to describe patterns in entrepreneurship.

### 5.3.2 *Other streams of literature*

In this dissertation, I draw on multiple streams of literature outside the field of entrepreneurship including justice and voice in organizational behavior, exit in liberal political economics, and Hirschman's work in economics. I describe contributions to these streams of literature next.

*Justice.* I show that injustice is an important predictor of entrepreneurial intentions. The relationship between injustice and entrepreneurial intentions, however, is nuanced and depends on which aspects of justice the individual finds salient. The justice salience literature shows that all forms of (in)justice is not the same and what the individual pays attention to in unjust situations varies based on construal level, temporal distance, power, and status (Cojuharenco & Patient, 2013; Cojuharenco et al., 2011). This dissertation adds loyalty (or lack thereof) as a factor that influences justice salience. In an experimental study in paper 2, I put participants in situations of injustice and justice. I find that individuals decide to find alternate jobs, express voice, or engage in entrepreneurship when they are put into conditions of injustice. However, individuals who decide to remain loyal, when put in conditions of injustice, do not perceive the same situation as unjust. Although this was not the variable of primary interest, we find that individuals who choose to be loyal perceive the system to be fair, the organization to be just, and that they are personally treated fairly, even in conditions of injustice (See chapter 3). This leads to interesting implications for the relationship between dissatisfaction, loyalty, and justice salience where the loyal individual is psychologically motivated not to perceive injustice.

*Voice.* Empirically, I draw heavily on extensive work in the voice literature in organization behavior since it has the most robust empirical measures (Bashshur & Oc, 2015; Burriss et al., 2008; McClean et al., 2012). This literature acknowledges that the availability of exit predicts the

incidence of voice but the entire stream of literature, however, is not concerned with where these choices to exit to come from. It further assumes that all exit is destructive and detrimental to the organization (Bashshur & Oc, 2015; Farrell, 1983). By showing that the provision of exit requires entrepreneurial agency, I begin to address this question in the voice literature. I also contend that all forms of exit need not be destructive to the organization and identifying motivations for exit could perhaps help in crafting better and more meaningful jobs (Demerouti et al., 2015; Wrzesniewski & Dutton, 2001).

*Exit.* The notion of exit is most well-developed in liberal political philosophy (Borchers & Vitikainen, 2012; Kukathas, 2012). Yet again, this stream of literature is not concerned with where the choices to exit to come from. Instead it focuses on securing equal rights for all societal groups including minorities and women so that everyone has equal opportunities to exit (Holzleithner, 2012; Kymlicka, 1992; Okin, 1999, 2002). They look towards the State to provide and secure these rights and focus on the injustices that result when these rights are unequal. When we add the idea that choices to exit to require entrepreneurial agency to this mix, we can begin to create a whole new set of questions that deal with the role of the State in supporting entrepreneurial endeavors for various societal groups and the process through which rights, and opportunities could be changed. Elinor Ostrom's work that examines bottom up policy framing could help frame the conversation in this regard (Ostrom, 2015).

*Exit, voice, and loyalty.* The framework developed here is based on Hirschman's work on exit, voice, and loyalty as responses to decline in firms, organizations, and states (Hirschman, 1970). I extend this framework to conditions of market failure and argue that options to exit to are not automatically available i.e., there are no alternate jobs that the employee can find or alternate products that the consumer can turn to. Hirschman's formulation of exit is not very useful under

these conditions and any meaningful theorization requires entrepreneurial agency. This is the starting point of my dissertation and I show that an interplay of weak and strong voice and loyalty lead to the creation of incremental weak exits or radical strong exits based on entrepreneurial action, thus extending Hirschman's framework.

## **5.4 Concluding Remarks**

This dissertation is the first step in establishing the importance of exit as a construct within entrepreneurship. In doing so, I explain the fundamental role of entrepreneurial processes in societal churn and contribute to the literature on entrepreneurship as a method to solve important human problems. I describe the relationship between the nexus of the individual embedded in current organization and societal structures and show that dissatisfaction is a starting point of entrepreneurial action. These ideas, I hope, will spark interesting scholarly conversations that are both theoretically relevant and practically useful.

However, this dissertation is an attempt to synthesize multiple disparate streams of literature from organizational behavior, political economics, micro-economics, and entrepreneurship in order to explain the fundamental role of exit in entrepreneurship. In drawing from all these streams, there are multiple theoretical and empirical opportunities and limitations. Voice, injustice, and exit have their own rich theoretical and empirical history. This is the first attempt at integrating these streams, and I have largely relied on broad consensus and highly cited work in each field. In doing so, there are multiple opportunities for nuance that I miss both empirically and theoretically. However, I hope that once I establish the need for these syntheses, each of these streams will develop into multiple new research directions.



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## **Appendix A: Systemic vs. personal injustice**

We use scenarios to test for the effects of systemic vs. personal injustice on exit to alternate jobs, exit to entrepreneurship voice and loyalty. One variant of the scenario is presented below. Other variants will include different stakeholders and entrepreneurs in relevant decision-making scenarios.

### **Fair promotion**

You and a co-worker, Ricardo, are both being considered for promotion to a Senior Analyst position. At this time, you and Ricardo are both Junior Analysts in the same department.

There is only ONE Senior Analyst position available, so only ONE of you can be promoted.

The Senior Analyst position pays more than the Junior Analyst position.

In reviewing the objective performance criteria, it is clear that you are performing better and would probably do the new job better than Ricardo. Many of your colleagues agree with that. Your productivity is higher, your customers are more satisfied, you have been working with the company longer, and you have more awards than Ricardo.

A few weeks ago, your supervisor said he wanted to get some input about how the promotion should be made and invited both you and Ricardo on a Monday at 8:00 into his office. Both you and Ricardo made suggestions regarding the evaluation criteria to be used in trying to predict how well the candidate could be expected to perform at the new, higher-level job. Your supervisor listened carefully to your input and said he would take it into consideration.

A week later, your supervisor called you into his office and told you that you received the promotion. He told you that the decision had just been made, so he was letting you know immediately. He then spent 10 min explaining to you how the decision had been

made. He was polite and respectful and made sure you understood the process that had been followed.

### **Unfair promotion**

You and a co-worker, Ricardo, are both being considered for promotion to a Senior Analyst position. At this time, you and Ricardo are both Junior Analysts in the same department.

There is only ONE Senior Analyst position available, so only ONE of you can be promoted.

The Senior Analyst position pays more than the Junior Analyst position.

In reviewing the objective performance criteria, it is clear that you are performing better and would probably do the new job better than Ricardo. Many of your colleagues agree with that. Your productivity is higher, your customers are more satisfied, you have been working with the company longer, and you have more awards than Ricardo.

A few weeks ago, your supervisor said he wanted to get some input about how the promotion should be made and invited Ricardo on a Monday at 8:00 into his office. Ricardo made suggestions regarding the evaluation criteria to be used in trying to predict how well the candidate could be expected to perform at the new, higher-level job. You tried to ask for an appointment with your supervisor to express your opinion on the matter, but the supervisor answered that he did not have the time to see you.

Several weeks later, your supervisor called you into his office and told you that you did not receive the promotion. He told you that the decision had been made 2 weeks earlier, but he did not have time to tell you about the outcome. When you asked for the reasons why you were not promoted, your supervisor said he would rather not give all the details to you, especially because he did not have time to do so.

**Personal injustice:**

As you answer the following questions reflect on this particular experience and imagine yourself in this particular situation:

**Distributive justice:**

- (1). Did your outcome reflect the effort you have put into your work?
- (2). Did your outcome reflect what you have contributed to the organization?
- (3). Were your outcomes justified, given your performance?

**Procedural justice:**

- (1). Have you been able to express your views and feelings during these procedures?
- (2). Have these procedures been applied consistently?
- (3). Have these procedures been free of bias?

**Interactional justice (items for interpersonal [1 to 3] and informational justice [4 to 6]):**

- (1). Were you treated in a polite manner?
- (2). Were you treated with dignity?
- (3). Were you treated with respect?
- (4). Were procedures explained thoroughly?
- (5). Were the explanations regarding procedures reasonable?
- (6). Were details communicated in a timely manner?

**Systemic injustice:**

As you answer the following questions reflect on the organization in general and as a whole:

**Distributive justice:**

- (1). Do outcomes in this organization reflect effort put into work?

- (2). Do outcomes reflect what an individual has contributed to the organization?
- (3). Are outcomes in the organization justified, given a particular individual's performance?

Procedural justice:

- (1). Is an individual typically able to express their views and feelings during procedures?
- (2). Are procedures typically applied consistently in the organization?
- (3). Are procedures typically free of bias in the organization?

Interactional justice (items for interpersonal [1 to 3] and informational justice [4 to 6]):

- (1). Are individuals typically treated in a polite manner in the organization?
- (2). Are individuals typically treated with dignity in the organization?
- (3). Are individuals typically treated with respect in the organization?
- (4). Are procedures explained thoroughly in the organization?
- (5). Are the explanations regarding procedures reasonable in the organization?
- (6). Are details communicated in a timely manner in the organization?

## **Appendix B: Dissatisfaction and Opportunity scenarios**

### **Dissatisfaction**

As you read the following scenario, put yourself in the shoes of an entrepreneur:

You are visiting a country for some time to teach in their University. You see widespread poverty in the country.

You decide to do something about it and visit the nearby villages to see why people are so poor and if you could help in any way. You talk to the villagers and understand that they make furniture and sell them. But they borrow money from the local money lender in order to buy bamboo for the furniture. The moneylender charges a lot of interest ranging from 10 percent to 15 percent per day.

You realize that most of the money that the villagers make go into paying the money lender and that the poverty is not a result of laziness or inaction but a result of the system. The villagers are unable to break the cycle of poverty because they are being exploited by creditors with unstandardized interest rates. You decide to make a list of all such people and find that most people in the village borrow money from these moneylenders.

Initial calculations show that that most people in the village could be brought out of this cycle of poverty if someone were to give them less than 30 dollars.

But giving them money solved the problem once and for one village. So, you decide that giving them money was not a long-term solution.

## **Opportunity**

As you read the following scenario, put yourself in the shoes of an entrepreneur:

NASA has just announced the development of a new technology that could revolutionize the way all sorts of people could improve their attention and concentration skills.

The SMART® (Self-Mastery and Regulation Training) works by making any computer game/simulation respond to changes in the player's pattern of brain activity.

Electroencephalogram neurofeedback sensors are attached to the player's body and brain. These sensors monitor the player's neurophysiological activity and send these signals to a signal processing unit, which in turn is connected to the computer game controller.

“In the program we designed,” says NASA Computer Engineer Monica Rotner, “the simulation game becomes easier to control when the player's pattern of brain activity indicates that he/she is focused. But if the player gets bored, distracted, or unfocused, the computer makes the game much harder to play. Interestingly, our tests show that within weeks of repeated practice, this neurofeedback technology can significantly improve the player's concentration and attention skills.”



Initial tests have also shown that the SMART® technology was compatible with a number of off-the-shelf computer games and simulations.

Building on these successful results, NASA's Technology Transfer Center is actively seeking partnerships and collaborations to commercialize its SMART® neurofeedback training system.

**Questions after each scenario**

1. As an entrepreneur, what will you do next?
2. Who will you talk to about this? Write down all the people you think are relevant?
3. As an entrepreneur, what ideas could you pursue?