How Inequality Breeds Entrepreneurship

And Reproduces Inequality in Entrepreneurial Teams

by

Chunhu Jeon

A Dissertation Presented in Partial Fulfillment
of the Requirement for the Degree
Doctor of Philosophy

Approved March 2022 by the
Graduate Supervisory Committee:

Wei Shen, Co-Chair
Jonathan N. Bundy, Co-Chair
S. Trevis Certo

ARIZONA STATE UNIVERSITY

May 2022

ABSTRACT

Entrepreneurship entails a transition from status quo to a founder/leader of a new organization, and the dominant view in the literature focuses on opportunities in a hypothetical situation, namely an entrepreneurial option. This study shifts the attention from an entrepreneurial option to a current situation and proposes that a perception of costliness in status quo as a driver of entrepreneurial decisions and strategies. Specifically, I propose that a perception of inequality due to the local hierarchy of an organization engenders motivation of disadvantaged employees to become a leader of his/her own entrepreneurial organization. Utilizing hierarchy-based power dynamics and attribution biases, I theorize that i) status gap between a leader and a member and ii) status distinctiveness of a leader in the current organization affect an entrepreneurial decision because of inequality perception. Furthermore, I hypothesize that entrepreneurial organizations driven by such status inequality are more likely to replicate the local structure of the previous employer in terms of status hierarchy to compensate for the perceived disadvantages in the previous employer. The empirical analyses of this study investigate entrepreneurial decisions and entrepreneurial team formation of jazz musicians from jazz discographies between 1950 and 2018, and I found supportive results. This study contributes to the entrepreneurship and inequality literature by bridging two research spaces. It first uncovers the roles of a negative perception of the status quo in entrepreneurship, in addition to the established idea of a positive perception of an alternative option. It also suggests a novel explanation of the long-standing question of inequality reproduction by looking at whether and how inequality spreads via entrepreneurship.

TABLE OF CONTENTS

CHAPTER

LIST OF TABLES

LIST OF FIGURES

CHAPTER 1

INTRODUCTION

> *Men make their own history, but they do not make it just as they please; they do not make it under self-selected circumstances, but under circumstances existing already, given, and transmitted from the past.* — Karl Marx (1852 [1999])

Entrepreneurship is a transition from the status quo to a founder/leader position in a new organization, where an entrepreneur forms his/her own organization and seeks economic and social wealth in the marketplace (Dobrev & Barnett, 2005; Campbell, Ganco & Agarwal, 2012; Ganco, 2013; Sørensen & Sharkey, 2014). Either being employed or unemployed, an individual decides to opt out of the status quo and chooses a new venture in an entrepreneurial transition. As with most explorative activities, it is widely known that entrepreneurs typically face substantial unfamiliarity and uncertainties in many aspects (Singh, Tucker & House, 1986; Alvarez & Barney, 2005; Shepherd, Williams & Patzelt, 2015). The target market of the entrepreneur could be new and hard to predict. The technologies that the entrepreneur could utilize might not have been tested previously. Legitimacy as a market participant is yet to be granted to entrepreneurs, so relationships with suppliers and buyers would not be established during the early state of an entrepreneurial transition. Indeed, statistics show that most entrepreneurs fail (e.g., about 75% of venture-backed firms in the U.S. have failed; Gage, 2012), supporting the notion of entrepreneurial uncertainty. Thus, the entrepreneurship literature has centered around why and how entrepreneurs initiate their own entrepreneurial transition given these fundamental uncertainties (Shane 2003; Alvarez & Barney, 2005).

The dominant view in the entrepreneurship literature to investigate entrepreneurial transitions is *opportunity entrepreneurship*: an ambitious person who aspires to search for economic opportunities would opt out of the status quo and organize a venture (for a comprehensive review of this view, see Shane 2003). This research stream shows that risk-taking personality, better resource mobilization, high-status or high-status affiliations, qualifications (e.g., educational background), and social connections are individual-level determinants of entrepreneurship (Shane 2003; Short, Ketchen, Shook & Ireland, 2009; Shepherd, Williams & Patzelt, 2015). Also, the studies on this view demonstrate that resourceful environments (e.g., venture capital, government policies) and advanced technological infrastructure (e.g., universities and labs) foster entrepreneurship (Saxenian, 1994; Sorenson & Audia, 2000; Terjesen, Hessels & Li, 2013; Arin, Huang, Minniti, Nandialath & Reich, 2014).

However, real-world phenomena are not completely explained by such a future-oriented account of entrepreneurship. According to OECD (2019), it is not the most resourceful countries, such as the United States, Canada, Germany, and Japan, who have a higher self-employment rate (as a macro-level measure of entrepreneurship) as shown in Figure 1; these countries are actually the least entrepreneurial countries in the world. Rather, most entrepreneurial countries are those who are economically developed, but not known as lands of opportunities, such as Greece, Brazil, Korea, and Italy. This simple statistic may suggest that the dominant view of entrepreneurship overlooks some of the most critical aspects of entrepreneurship.

To address this misalignment between the existing theories and the real-world phenomena, some scholars propose different aspects of entrepreneurship. Studies on *necessity* entrepreneurship suggest that lack of opportunity to find an employer in the economy can lead to a self-employment decision (Reynolds, Bygrave, Autio & Hay, 2002; Lippman, David & Aldrich, 2005; Lewellyn, 2017). According to this view, developing economies have a greater degree of entrepreneurship due to non-existence of the alternative (i.e., employers). This alternative view essentially demonstrates the critical role of the status quo, namely lack of employment, in entrepreneurial transition.

What is still missing in these views is whether and how entrepreneurial transitions can be influenced by certain attributes of the status quo, particularly undesirable ones, to the extent that an individual will seek the alternative of entrepreneurship while giving up the status quo. This is consistent with the findings of strategic decision-making, motivation, and search, as they show that an actor is motivated to change or deviate from what has been done when faced with problems or relative disadvantages (Dixit & Nalebuff, 1993; Cyert & March, 1963; Greve, 1998).[1] This suggests that entrepreneurial decisions, as a risky career transition, can be better explained by consideration of the perception of deprivation or disadvantages in the current condition, as well as the expectation of gains in the hypothetical condition.

Specifically, I examine entrepreneurship as a consequence of employees' perception of *inequality*, defined here as "*unequal access to opportunities and rewards*

[1] Gains and losses (deprivation and disadvantages) in this study indicate not only absolute ones (improvement/deterioration in wealth) but also relative ones, which is largely utilized in behavioral theory of the firm (Cyert & March, 1963): positive/negative deviation from historical and social reference points.

for different social positions or statuses within a group" (Mair, Wolf & Seelos, 2016: 2021; also see Baron & Pfeffer, 1994; Tilly, 1998; Tomaskovic-Devey & Avent-Holt, 2019). Inequality emerges as hierarchically disadvantaged actors appropriate far fewer outputs than inputs they committed. As stratification or class divide (e.g., capitalists versus laborers) creates an imbalance between input commitment and output appropriation in the real world, such an imbalance between the two can create a perception of costliness of being in the current condition (Adams, 1963; Adams & Freedman, 1976). Unlike temporary or accidental costs, this is a durable and unsolvable disadvantage for those who do not have power and prominence in an organization, a community, or in society (Tilly, 1998), and such disadvantaged employees are likely to be exploited by advantaged ones (e.g., capitalists or organizational leaders; Marx, 1906).

In this regard, this study complements the entrepreneurship literature by looking at entrepreneurship driven by deprivation or disadvantages, in addition to entrepreneurial opportunities that have dominated the literature. It suggests not only potential gain from the expected opportunities, but also perceived deprivation or disadvantages could drive entrepreneurship.[2] This study proposes a theory that perceived inequality due to social standing within the organizational hierarchy motivates an individual to address his/her disadvantages in the workplace, and he/she is more likely to make an entrepreneurial decision so that he/she can avoid the disadvantages. Particularly, I examine two factors as workplace inequality: leader-member status gap, and leader status distinctiveness.

[2] I use the words "problems," "disadvantages," "deprivation" and "losses" interchangeably. They refer to undesirable attributes that could result in historically and/or socially inferior utility (e.g., reward, recognition, promotion).

Furthermore, the study proposes that such inequality in the previous organization is reproduced in the entrepreneur organization: the entrepreneur who experienced inequality is likely to design the entrepreneurial organization such that he/she can exploit the reproduced inequality in his/her workplace in pursuit of advantages he/she could not attain in the previous organization. This is not only because such inequality is readily obtainable due to the entrepreneur's experience, but also because the entrepreneur is motivated to compensate for what he/she could not attain due to the inequality in the previous organization. Based on the proposed theory, I analyze whether and how entrepreneurial decision and entrepreneurial team formation are affected by two hierarchical factors that can give rise to inequality perception: i) how distant the employee position is from the leader position within the organizational hierarchy (*leader-member status gap*) and ii) how distinctive the leader position is from the position of the collective members within the organizational hierarchy (*leader status distinctiveness*).

I expect three contributions of this study. First, it expands the entrepreneurship literature by suggesting the importance of a perception of the current situation in entrepreneurial decisions and processes. Research has recently started to examine organizational structure as a predictor of entrepreneurial transition (Sørensen, 2007; Kacperczyk & Balachandran, 2018), and this study proposes a specific perspective to examine the effects of organizational structure on entrepreneurship. It is widely established that a comparison between the status quo and an alternative is a fundamental determinant of economic decision-making (March & Simon, 1958; Cyert & March, 1963; Greve, 2003). Likewise, this study highlights a negative perception of the current

situation, in addition to positive perception expectation about a hypothetical situation, as a key driver of entrepreneurship.

Second, it contributes to the inequality research by examining the roles of entrepreneurship in organizational inequality (Tilly, 1998; Amis, Mair & Munir, 2019; Tomaskovic-Devey & Avent-Holt, 2019). This study suggests that entrepreneurship can be a response of disadvantaged groups to inequality (Sørensen & Sharkey, 2014). Further, it expands research on inequality reproduction by examining that entrepreneurship can be a source of inequality reproduction (Phillips, 2005): not only workplace inequality persists in the organization, but also it is reproduced from the previous organization to the entrepreneurial organization as the entrepreneur strives to compensate for perceived disadvantages and deprivation in the previous organization.

Finally, this study can complement strategic human capital research by investigating antecedents of employee entrepreneurship (Ganco, 2013). Employee entrepreneurship is defined as "a start-up founded by a former employee of an established firm" (Campbell et al., 2012: 65), and studies in this stream have investigated competitive consequences of employee entrepreneurship, which is often detrimental to performance of the previous employer (Campbell et al., 2012; Agarwal, Campbell, Franco & Ganco, 2015). This study demonstrates that disadvantaged employees are more likely to become entrepreneurs, and this suggests potential underlying mechanisms bridging employee entrepreneurship and competitive consequences of the previous employer: such entrepreneurs are those who might make more valuable commitments than they were rewarded for previously.

In the following chapters, I review the entrepreneurship literature with particular attention to the roles of future opportunity and current disadvantages. Then I propose the roles of workplace inequality as a durable social structure where lower-status individuals unavoidably suffer from disadvantages in gaining economic/social rewards for organizational outcomes (Tilly, 1998). I then explain the theoretical linkages between inequality and entrepreneurship.

CHAPTER 2

LITERATURE REVIEW

Drivers of Entrepreneurial Motivation and Processes

Entrepreneurial transition

Entrepreneurial transition from a pre-entrepreneurial stage to an entrepreneurial stage requires i) entrepreneurial motivation to become a founder/leader of a venture and entails ii) strategic and administrative works to establish the venture to run the entrepreneur's new business (Dobrev & Barnett, 2005). An entrepreneur who used to be unemployed or employed by an existing organization gives up benefits he/she has enjoyed to transition to self-employment status. The entrepreneur, by being a strategic leader, takes wider range of control and responsibilities of the organization he/she manages. The entrepreneur is likely to target a slightly or completely different market from that of the previous employer and may explore or exploit different technologies from what he/she is familiar with. As such, an entrepreneurial transition is a substantial strategic and career change and research has examined myriad factors that can drive and/or shape entrepreneurial decisions and processes (Carroll & Swaminathan, 2000; Shane, 2003; Sørensen, 2007; Lewellyn, 2017).

In exploring drivers of entrepreneurial transition, different streams of the entrepreneurship research have had their own particular connotation of entrepreneurship (Shane, 2003). Notably, in the mainstream, so-called opportunity entrepreneurship treats an entrepreneur as equivalent to innovative founders such as Bill Gates, Steve Jobs, Jeff Bezos, and Elon Musk, and examines founders in a nascent industry, such as information

technology or biotechnology industries (Stuart, Hoang & Hybels, 1999; Hallen, 2008) or new entrants with differentiated identity in an existing industry (Navis & Glynn, 2011). This stream can be traced back to Schumpeter (1934, 1942) and Kirzner (1973), and dominates the literature. With the strong emphasis on the discovery and exploitation of economic and/or technological opportunities, this stream implicitly assumes i) that an individual identified such opportunities in the entrepreneurial decision stage and ii) that once the individual becomes an entrepreneur, he/she pursues to achieve the identified opportunities (Shane, 2003).

Being the dominant perspective in entrepreneurship research, the stream of opportunity entrepreneurship has enriched our understanding. Since opportunity identification and realization are naturally translated into articulated strategic actions and in turn, performance of entrepreneurs, opportunity entrepreneurship has served as the dominant paradigm in the literature. Studies examine processes like market positioning, resource acquisition, and survival/performance of firms in an emergent industry and demonstrate that opportunity-seeking strategy is associated with better performance of entrepreneurship (Shepherd, Wennberg, Subbaday & Wiklund, 2018).

Furthermore, this perspective has been applied to social entrepreneurship: research examining entrepreneurs who are eager to solve societal problems, pursue social good, and/or drive institutional changes (Certo & Miller, 2008; Saebi, Foss & Linder, 2018). Although social entrepreneurship differs from commercially-driven entrepreneurship in the sense that what social entrepreneurs pursue is societal utility rather than an individual one, this research stream has also shared the framework and

assumptions with the dominant perspective focusing on opportunity seeking. A recent review of social entrepreneurship research explicitly recognized the influence of the dominant perspective: "[s]imilar to commercial entrepreneurship, social entrepreneurs engage in entrepreneurial activities, such as opportunity identification, exploitation, resource mobilization, and innovation (Saebi, Foss & Linder, 2018: 73)." As such, the dominant paradigm has paid attention exclusively to opportunities in a hypothetical condition without explicitly considering how potential entrepreneurs perceived their current conditions and how such perception can play a role in entrepreneurial transition.

Relatedly, the notion of *necessity entrepreneurship* proposes that lack of opportunity actually drives entrepreneurial decisions. Primarily analyzing variances in self-employment rates, this research stream proposes that individuals in an economy that has few employers due to societal-level poverty or lack of economic infrastructure end up employing themselves to win the money (Nikiforou, Dencker & Gruber, 2019). This notion addresses the empirical puzzle of the high self-employment rate in developing economies and paves a novel way to examine entrepreneurial decisions by showing that entrepreneurship can exist even when market opportunities are not identified. Unlike the dominant paradigm in opportunity entrepreneurship, this alternative view shows not only the potential value of being an entrepreneur, but also the lack of value of the current status leading to an entrepreneurial decision. However, necessity entrepreneurship does not go beyond the comparison between being an entrepreneur and being unemployed due to lack of job availability: whether and how certain attributes of the current condition

other than unemployment can affect entrepreneurial transition is not predominantly considered in the literature.

A missing element in entrepreneurship research

As reviewed above, the entrepreneurship literature has started to consider factors other than market opportunities, and particularly necessity entrepreneurship which highlights the lack of opportunity and alludes to the importance of comparison between the status quo and an entrepreneurial option. However, it is rarely studied whether and how an individual is motivated to make an entrepreneurial decision to solve his/her own economic/social disadvantages in the status quo. It is a big contrast that many studies in other topics, such as strategic decision-making, prospect theory and behavioral theory of the firm, have long shown that a decision is made when either i) the value of the alternative is high or ii) the value of the current situation is low (Dixit & Nalebuff, 1993; Cyert & March, 1963; Greve, 1998). The former corresponds well with the notion of opportunity entrepreneurship, but the entrepreneurship literature has paid less attention to what corresponds with the latter. For instance, opportunity cost is the notion of the value of the option given up when another alternative is chosen, which is one of the key concepts in economics (Green, 1894). This suggests that when an option (being unemployed or an employee) is less attractive than its alternative (an entrepreneurial decision in this case), he/she will choose the alternative because the opportunity cost (the value of the foregone option) is relatively low. Behavioral theory of the firm also highlights the impact of relative deprivation, particularly lagging behind historical and

social reference points on initiating an alternative move (Cyert & March, 1963; Greve, 1998). Scholars in many spaces showed that individuals and organizations seek alternatives not only when they are optimistic about the future (e.g., slack search) but also when they are in a relatively disadvantageous position (e.g., problematic search) (Greve, 2003). As such, these and other theories support the possibility that the current condition, especially the low value thereof, can function as a driver of entrepreneurship.

Furthermore, the entrepreneurship literature is based on the rational framework that an individual, as an independent decision-maker, selects the most appealing option, while social influence (e.g., comparison with comparable peers) is not considered with a few exceptions (e.g., Kacperczyk, 2013). This is also contrasted with many research streams that adopted behavioral approaches to explain social (vis-à-vis self-contained) effects on strategic decisions (Cyert & March, 1963; Greve, 1998). In this regard, how one perceives the current condition can be largely dependent on his/her social comparison with others: when proximate others are more advantaged (disadvantaged) he/she is likely to perceive disadvantages (advantages) in the current condition (Festinger, 1954; Collins, 1996).

This study attempts to fill the aforementioned void by investigating the roles of costliness of the status quo, and more specifically, perceived inequality within the organizational hierarchy of the current employer in motivating entrepreneurial transition. First, it examines costliness, in addition to entrepreneurial opportunities and effects on entrepreneurial motivation. Second, this study further examines the processes of how costliness-driven entrepreneurs compare to opportunity entrepreneurs. The theoretical

frame of opportunity entrepreneurship focuses on entrepreneurial processes that help to achieve opportunity identification and marketization, such as acquisitions of valuable resources and legitimation of entrepreneurial identity (Shane, 2003; Navis & Glynn, 2011). In contrast, I suggest that entrepreneurship processes following the perception of deprivation and disadvantages would have a stronger focus on minimization of such costliness. In this regard, entrepreneurs who are motivated to avoid experienced deprivation and/or disadvantages would design their startup organization and the organizational policies in a way that they do not suffer from potential deprivation or disadvantages. For instance, such an entrepreneur may design the compensation policy that allows him/her to earn more than what he/she contributes to the organizational outcomes. Also, such an entrepreneur may design organizational routines that force the employees to work harder than they are supposed to.

Put simply, the proposed idea of deprivation- or disadvantage-driven entrepreneurship can be described as follows:

(1) An employee who perceives persistent deprivation and/or disadvantages in the current workplace is likely to decide to be an entrepreneur.

(2) An entrepreneur who perceived persistent deprivation and/or disadvantages in the parent organization as an employee is more likely to pursue entrepreneurial processes (e.g., resource mobilization, organizational design, reward appropriation) in a way that he/she can compensate for the perceived deprivation and/or disadvantages.

The section below discusses attributes of deprivation and disadvantages that are more likely to produce an entrepreneurial decision and introduces workplace inequality as a driver of such deprivation and disadvantages.

Attributes of Deprivation and Disadvantages That Engender Entrepreneurship

As proposed above, deprivation or disadvantages in the workplace can prompt an entrepreneurial decision as a solution to those disadvantages. However, it is unlikely that any type of deprivation or disadvantages lead to an entrepreneurial decision. For instance, minor and/or temporary inequity can be addressed by adjusting one's commitment to the organization or by speaking up (Adams, 1963; Goodman & Friedman, 1971). Also, a reward discrepancy due to the job hierarchy can be resolved when the focal individual is promoted to a higher position in the organization (Sørensen, 2007; Kacpercyzk & Balachandran, 2018). This implies at least two, but not all, attributes of deprivation and disadvantages that drive entrepreneurship: *durability* and *unsolvability*.

Entrepreneurship would be more likely when deprivation and disadvantages are perceived as *durable*. When one has experienced deprivation and disadvantages persistently and expect to experience such disadvantages persistently, he/she is less likely to have expectation for improvements. Thus, he/she would consider a radical solution, that is, departure from the status quo, rather than incremental improvement within the current situation. Thus, such durability of deprivation and disadvantages would drive a search for a fundamentally different path to avoid the negative experiences in the current workplace.

Relatedly, deprivation and disadvantages that are considered *unsolvable* can result in entrepreneurship. As those who take advantage of the current organization would be motivated to secure such economic and social advantages (Tilly, 1998), those who suffer in the status quo would unlikely attempt to solve the sources of such disadvantages in the current situation. Rather, they would consider an entrepreneurial transition to become a leader who becomes a have (verses a have-not) in their organization. Also, have-nots would perceive their disadvantages as unsolvable when their disadvantages are socially embedded in the context due to environmental, institutional, or cultural factors. For instance, cultural logic and beliefs underestimating such have-nots are hard to change, especially for those who do not have strong power and high status because they are institutionalized within the organization or the society (Rao, Monin & Durand, 2003; Ridgeway & Correll, 2006). In such cases, entrepreneurship, compared to speaking up and similar actions within the current organization would be a more viable option for the have-nots to address their disadvantages in the current organization.

Inequality

Inequality is a wide-spread phenomena within and across organizations. For instance, the phenomena of the glass ceiling shows structural barriers in the organization that keep minorities from attaining larger resources and rewards in the form of pay, recognition, and/or promotion in the organizational hierarchy (Yang & Aldrich, 2014), and closed relationships among elites show how non-elites cannot attain high status in the corporate world (Useem, 1979). Scholars in diverse disciplines including psychology, sociology, and economics have studied to identify processes that result in such

phenomena, in other words, unequal distribution of income and wealth, and proposed that some processes such as closed relationships among high-status actors, in-group favoritism, status-based biases and beliefs, can lead to unequal access to opportunity, resources, rewards, and power (Baron & Pfeffer, 1994; Marx, 1906; Tilly, 1998; Tomaskovic-Devey & Avent-Holt, 2019). Table 1 shows some definitions of inequality made by prior studies. Some of these illustrate processes leading to unequal distribution of wealth, and following these and other definitions, inequality in this study refers to "*unequal access to opportunities and rewards for different social positions or statuses within a group"* (Mair, Wolf & Seelos, 2016: 2021) that engenders deprivation and disadvantages of have-nots.

The inequality research, especially that focusing on mechanisms, suggests that inequality is a durable and unsolvable source of disadvantages for have-nots in a group, an organization, or a society (Tilly, 1998; Mair, Wolf & Seelos, 2016; Tomaskovic-Devey & Avent-Holt, 2019). Many scholars have long studied how privileged actors (high class or status) "kick away the ladder" of economic and/or social hierarchy (Chang, 2002).[3] Economic views argue that property rights of capitalists allow them to collect more rents consistently than laborers who have nothing but human resources unless there is a radical, collective movement of laborers (Marx, 1906; Piketty, 2014). Institutionalist views argue that institutionalized inequality logics are sources of durable and unsolvable

[3] Unless I specifically use the term "status hierarchy," I use different categorizations of haves and have-nots interchangeably in discussing inequality in general. A clear distinction between *classes* (for economic categorizations determined by ownership of capital) and *statuses* (for social categorizations determined by social evaluations) has been made by scholars (e.g., Weber, 1978), but I believe that many basic mechanisms can be applied to both class inequality and status inequality.

inequality (Amis, Mair & Munir, 2019; Padavic, Ely & Reid, 2019). Relational and psychological views propose that interpersonal relationships of in-group favoritism engender durable disadvantages of the have-nots (Weber, 1978; Blau, 1977; Murphy 1986; Baron & Pfeffer, 1994). As such, different mechanisms result in durable and unsolvable deprivation and disadvantages of the have-nots and ultimately becomes a social phenomenon of inequality.

Elements of Inequality

Inequality in an organization has long been scrutinized by academics, journalists, administrators, and policymakers as inequality and problems associated with inequality have deepened (Payne, 2017). Academics particularly have examined what mechanisms possibly create inequality (Tilly, 1998). In economics, class theory notably shows how capitalists appropriate most surplus values whereas laborers just survive with the minimum wage not because laborers' contribution is minimal, but because capital is scarce (Marx, 1906; Cohen, 1995; Shelby, 2002; Roemer, 2013; Piketty, 2014). According to the notion of *exploitation* in Marxist economics, capitalists exploit laborers because of the property right of non-labor production means, such as lands, buildings, and machinery: laborers who do not have other capital but their own labor cannot appropriate surplus value from the production because of their low bargaining power (Marx, 1906). Also, what follows this logic is the persistence of inequality: laborers cannot overcome the inequalities unless they own the means of production.

In sociology, studies on the relational perspectives (known as *relational* sociology) proposed isolating mechanisms in interpersonal or intergroup relations that result in inequalities between haves and have-nots (e.g., Tilly, 1998; Lamont & Molnár, 2002). Building on the notion of *social closure* (Weber, 1978), Tilly (1998) argues that high-status actors are more rewarded than they committed (*exploitation*) and they share opportunities to maintain and advance their utility only within the networks of the high-status circle (*opportunity hoarding*) because of the power dominance of the high-status actors. Due to exploitation and opportunity hoarding, high-status actors have sharply larger advantages and thus inequality persists. By opportunity hoarding, low-status actors cannot make large contributions to the organizational outcomes (although they might spend substantial time and energy) because of the limited opportunities. For instance, certain jobs that are considered as low in value creation and resource accessibility are feminized, while value-creating jobs are dominantly assigned to male workers. Thus, female workers, regardless of time and energy devoted, are not recognized as significant contributors to the organization (Baron & Pfeffer, 1994). Then, by exploitation, inequalities are solidified or intensified by appropriation processes, as efforts of the low-status actors are discounted. Several empirical studies have demonstrated evidence supporting the isolating mechanisms based on high-status favoritism in interpersonal relationships (Tomaskovic-Devey et al., 2006; Avent-Holt & Tomaskovic-Devey, 2010).

Unlike emergent inequality mechanisms proposed by relational sociologists, other sociologists proposed cultural/institutional drivers of inequality (e.g., Yang & Aldrich, 2014; Thébaud, 2015). Following this logic, cultural logics/beliefs, instead of atomic

motivation in interpersonal relationships, are used to legitimate inequality in the organization or in the society. For instance, the status belief of gender that is culturally constructed across contexts affects hiring, promotion, evaluation, and other processes inside the organization, and allows larger resource accessibility and reward appropriation (Thébaud, 2015; Amis, Mair & Munir, 2019). This is not only because it is culturally embedded, but also because it is easier than elaborated processes of evaluating "real" and "objective" capabilities and performance of the actor.

In a similar vein, psychological accounts of inequality center around *expectancy*: high-status actors are expected to perform better and in turn to contribute more to the organizational outcomes (Magee & Galinsky, 2008). Again, the reward appropriation is not solely determined by input commitment, but by social position. Thus, regardless of actual contribution, high-status actors are more recognized for their contribution, and rewarded better, which creates unequal reward distribution.

What is common in these research streams is that organizational inequality emerges as certain organizational processes that engender disproportionate larger *effort* committed and/or smaller reward (or credits) *appropriated* by the have-nots, compared to those by the haves in the organization. This notion is consistent with Baron and Pfeffer's (1994: 192) description: "organizations affect inequality by influencing how jobs are defined, how rewards are attached to position, how people are matched to these jobs, and how workers determine whether they have been fairly treated." For instance, an individual who is assigned to a repetitive, simple job is unlikely to be recognized highly in the organization not because of the efforts committed by him/her, but because of the

nature of the job. Such inequality elements are institutionally, culturally, materially, or psychologically embedded so that they exist across organizations. In this regard, this study deals with such contribution-appropriation problems between the leader and the members in the organization as an organizational inequality, which is elaborated in the section below.

Inequality and Entrepreneurship

Just as social inequality incurs social costs, organizational inequality can result in undesirable consequences within an organization. Studies demonstrate that perception of justice in the organization increases workplace anger (Gibson & Callister, 2010), and hinders work motivation and citizenship behavior (Loi, Yang, Diefendorff, 2009; Moorman, 1991). The consequences of organizational inequality are not necessarily limited within an organization. Employees suffering from inequality may decide to exit the firm and find an alternative: i) being an employee of another organization, ii) being an entrepreneur, or iii) ending the career (Hirschman, 1970). Turnover research, for instance, has long demonstrated that injustice perception increases turnover (Daileyl & Kirk, 1992; Aquino, Griffeth, Allen & Hom, 1997). Furthermore, recent studies show that organizational structures (e.g., low wage dispersion) that possibly create inequality in the organization engender an entrepreneurial decision (Sørensen & Sharkey, 2014; Kacperczyk & Balacandran, 2018).

Workplace inequality can be an antecedent of entrepreneurship because it is (perceived as) an institutionalized structure one cannot improve or change unless he/she

becomes a creator of the structure. First, workplace inequality is durable (Tilly, 1998; Tomaskovic-Devey & Avent-Holt, 2020). Temporary unfairness would not be considered as a persistent problem. An unfairly treated individual can address it vocally or endure it temporarily (Hirschman, 1970; Withey & Cooper, 1989). However, durable unfairness can direct the unfairly treated one to depart from the organization, as he/she has a clear expectation that the unfairness will persist within the organization. Second and relatedly, workplace inequality is perceived as unsolvable. Especially when one realizes that inequality is not an organization-specific problem, but is institutionalized across organizations (DiMaggio & Powell, 1983), finding another employer is not a perfectly viable option to address workplace inequality. The most viable option, then, is to form his/her own organization.

Taken together, organizational inequality can result in entrepreneurship, as an individual who perceives durability and unsolvability of inequality in an organization. This explanation expands the entrepreneurship literature that was dominated by the perspective that entrepreneurs are primarily motivated to capture market opportunities. In the narrative below, I examine the relationship between inequality and entrepreneurship in more detail, focusing specifically on status inequality in organizations.

Status Inequality

Consistent with the concept of inequality, status inequality is defined as *unequal access to opportunities and rewards for lower-status members in the organizational hierarchy*. Since social standing is a strong marker hierarchically differentiating actors (Blau, 1977;

Deephouse & Suchman, 2008), lower-status actors in an organizational hierarchy may not be rewarded as much as they committed to the organization, and this *imbalance between contribution and appropriation* creates a perception of status inequality. Studies show that lower-status actors cannot be recognized for their commitment and in turn, cannot attain economic and social rewards as easily as higher-status actors can (Merton, 1968; Magee & Galinsky, 2008; Reschke, Azoulay & Stuart, 2017). In an organization, status inequality emerges as lower status employees are matched to an undervalued job (typically doing repetitive or laborious tasks) and they are rewarded (in the form of pay, recognition, promotion, or status attainment) less than they have committed to the organizational outcomes (Baron & Pfeffer, 1994). Scholars have suggested that status inequality persists or even increases over time (Tilly, 1998; Merton, 1968), and empirical evidence, such as increasing pay gap between CEO and workers (Mishel & Wolfe, 2019), supports the theory of status inequality.

In regard to status inequality, organizations can play a critical role as an organizational boundary creates a local structure (Kacperczyk, 2012; Sørensen & Sharkey, 2014). An organization is a boundary where resources are pooled, roles are assigned, authority is granted, contributions are recognized, and profits are distributed (Tomaskovi-Devey & Avent-Holt, 1999). At the same time, self-esteem of individuals affiliated with an organization is largely anchored to his/her status position in the market, and this self-esteem can influence how much he/she think he/she deserves to be recognized and rewarded (Magee & Galinsky, 2008).[4] Thus, there can be a mismatch

[4] I want to note that the term "status" throughout this study denotes a social-hierarchical position at the market level (e.g., elite school background; Podolny, 1993; Palmer & Barber, 2001; Park & Westphal,

between how one is treated within an organizational structure and how he/she views him/herself (i.e., self-esteem) based on the status position. In other words, depending on whom one is with, his/her contribution and appropriation within the organization may not match how much he/she deserves. For example, Sheryl Sandberg is a famous figure who has a more distinctive status than even some CEOs of big firms, but she may not have as much power and may not appropriate as much recognition and rewards within the firm as CEOs in other firms do. In sum, such a mismatch can create heterogeneity in the perception of status inequality across individuals and organizations, as an organizational boundary functions as "a fundamental constraint on claims-making, exploitation, and closure" (Tomaskovi-Devey & Avent-Holt, 1999: 99).

Status inequality caused by a local hierarchy can be perceived as durable by members because who outranks whom within the organization is unlikely to be changed. Status is sticky and each individual is more or less motivated to maintain his/her status position (Podolny, 2005). Also, such status inequality can be perceived as unsolvable by the members because they typically do not have power to change the local structure of the organization. In this regard, an employee who suffered from status inequality in an organization because of the mismatch between status position in the market and the position within the organizational structure (which is durable and unsolvable within the organization), can make an entrepreneurial decision aiming to overcome the

2013), rather than one at the organization level, whereas local position (or local hierarchy) indicates relative position created by the organizational boundary. This is different from an approach that does not consider market-level (or global) status and distinguish everyone in an organization by the organizational rank (that is a local hierarchy, such as CEO, team leader, or team member) (Breiger, 1995; Blader & Chen, 2010). For a detailed review of local (vis-à-vis global) social hierarchy with regard to inequality, see Tomaskovic-Devey & Avent-Holt (2019).

disadvantages in the organization by being at the top of a new local hierarchy, which is further elaborated below.

CHAPTER 3

THEORY AND HYPOTHESES

Status and Entrepreneurship in the Jazz Music Industry

The jazz music industry is characterized as being sophisticated in theory and advanced in techniques in the broader music industry because of "complex melodic, harmonic, and rhythmic elements" (Tyler, 2016: 204; also see Berliner, 1994). Jazz musicians are thus identified as most virtuosic and their performances are "a novel experience because of improvisation" (Tyler, 2016: 204). Because of that, jazz musicians take up a large part of faculty in many non-classical music schools where the curricula are also largely based on jazz music. A jazz educator states that "almost all of the non-classical course offerings in the music school are about jazz" (Gustafson, 2019). Another distinctive characteristic of the industry are frequent collaborations between musicians due to the existence of the market standards (Faulkner & Becker, 2009). High-status jazz musicians are typically affiliated with multiple collaborations, and this is considered legitimate in the industry (NPR, 2015). Because of these and other reasons, musicians in the industry are heavily evaluated by their peers, and peer relationships are critical for their career. Therefore, it is important for jazz musicians to attain and maintain status in their market.

While status is critical in the jazz music industry, the leader status of a musician plays a critical role in gaining recognition from peers and the audiences. Bandleaders are the most visible individual in their bands and are well identified by audiences as most of the band names include the name of the leader (e.g., Miles Davis Quintet, Bill Evans Trio). At the same time, however, being a leader is not an easy decision because of the

role. Just like organizational leaders in business firms, bandleaders are expected to take on the biggest decisions on product selection (i.e., repertoire), relationships with buyers (e.g., concert agencies, recording companies), and internal management (e.g., member hiring and pay), that is highly distinctive from roles of sidemen (i.e., the industry term referring to a member of a band) (Gleason, 2016). Many bandleaders had financial issues because of relationships with fraudulent agencies, managerial problems because of temperamental sidemen they hired, and others (Barron, 1986; Alkyer et al., 2009). Because of these responsibilities and uncertainties as a bandleader, an entrepreneurial decision in the jazz music industry, just like ones in other businesses, is a risky and hard decision to make, and indeed, some jazz musicians just do not pursue entrepreneurship and stay in a band as a sideman. An interview with a famous musician and producer, Quincy Jones, suggests this aspect:

> And if a guy's going to be a leader, that's one thing. Some guys just have the feeling of being in the band, like Marshall [Royal]. He'll always be loved; he'll never be a leader. But he's a good disciplinarian for a band (Gleason, 2016: 32).

However, the jazz music industry has observed many entrepreneurial transitions, just like many other markets. In some cases, entrepreneurs in this context made the entrepreneurial decision to introduce and market innovative products and techniques. For instance, the pioneers of Bebop music, such as Charlie Parker and Dizzy Gillespie left their swing bands and created their entrepreneurial organizations as "a radical rejection of the musical conventions of the swing era" (Martin & Waters, 2016: 193). Other

entrepreneurship in the jazz music industry is determined by competitive (dis)advantages, such as pursuing presence in a local market where unmet demand for established jazz music exists (Faulkner & Becker, 2009).

Local Status Hierarchy and Entrepreneurial Decisions

Leader-member status gap

Within an organization, a dyad between a leader and a member is considered as a primary relationship by organizational scholars, and micro studies have shown that a leader-member dyad plays a critical role in the perception of how a member is treated fairly, such as justice perception, and voice (Erdoga & Bauer, 2010; Chamberlin, Newton & LePine, 2016). In this regard, whether and how much a member perceives status inequality can be largely shaped by the dyadic relationship between the member and his/her leader. Exploitation, that is, larger efforts and/or lower rewards of members, likely emerges within a leader-member dyad as the leader has the power to control the member, decides how jobs are assigned to the member, and recognizes/rewards the member (Baron & Pfeffer, 1994). Such power dynamics within a leader-member dyad creating status inequality can be determined by the status gap between the leader and the member. As the leader has greater status than the member, the member would defer to the leader to a greater degree. Also, a member with a larger status gap with the leader is generally willing to work for the higher-status leader expecting benefits of working for the high-status leader, including status spillover and learning (Faulkner, 1983; Podolny & Phillips, 1996; Podolny, 2005). However, working for a high-status leader can be costly for

members, because the power imbalance between the leader and member can give rise to larger commitment and lower appropriation of the lower-status member (Castellucci & Ertug, 2010). Specifically, I conjecture that a greater status gap between a leader and a member engender inequality perception of the member for two reasons.

First, a larger status gap between a leader and a member can cause perception of status inequality as the member devotes larger efforts for the organizational outcomes while the leader does less so. As Castellucci and Ertug (2010) argue, a status gap between the two actors can strengthen the lower-status counterpart's resource contribution because the lower-status counterpart is willing to commit larger amount of resources in exchange for the connection with a high-status counterpart. Also, a larger status gap can incentivize the leader to press the low-status member to make larger efforts using power dynamics (Bunderson & Reagans, 2011), so that the leader can exploit the member. This type of status inequality is observed in the jazz music industry. For instance, a higher-status leader provides unclear or confusing guidance to a lower-status individual expecting that that individual finds a satisfactory solution through a substantial degree of experimentation. Two anecdotes below describe how low-status members of the Miles Davis band in the 1980s had to make large efforts under the loose management of the leader:

> [P]laying mind games with Miller, as the young bassist discovered when Miles demonstrated the part he wanted him to play on a tune. "He showed me a couple of notes on the piano," recalls Miller. "He said 'This is what we're going to play: F-sharp, G.' I'm going 'That's it?' and he says 'That's it. You got it?' I say, 'I've got it: F-sharp, G — no problem.'" When the band started playing, Miller stuck resolutely to his instructions, but then

> Miles stopped the band in the middle of the take and said to Miller, "Are you just going to play F-sharp and G and that's it?" Miller replied, "Oh, I'm sorry. I'm just doing what you told me; now I understand — it's loose." The band then started to record another take. "So we play again," says Miller, "and this time I play F-sharp, G, E, A-flat, G-flat, E, Z! [laughs] I play every note I've got on my bass! And Miles stops the band again and says 'Man, what the Hell are you doing? Just play F-sharp and G and shut up.'" (Cole, 2007: 75)

> "That intro was made up on the spot," says Finnerty. "Miles just looked at me and said, 'Play something.'" (Cole, 2007:77)

Second, status inequality can arise from a large status gap as a member appropriates smaller rewards for the organizational outcomes while the leader appropriates larger rewards. Economic accounts suggest that an imbalance of power or property rights can engender appropriation concerns (Grossman, & Hart, 1986; Oxley, 1997), and in this case of the large status gap, the leader would coercively appropriate the organizational rewards using his/her power over the lower-status member. Psychological accounts, particularly the research of attributional biases, also support inequality that results from a status gap between a leader and a member (Magee & Galinsky, 2008). Studies in this line of thought show that organizational outcomes are more attributed to a leader especially when he/she holds high status (Meindl et al., 1985), thus a lower-status member in such a condition cannot appropriate the organizational rewards as much as he/she contributed. Therefore, despite that working for high-status leader may allow the member to gain rewards, the leader's disproportionately larger appropriation can offset such benefits. Abundant anecdotal examples in the context of this study support this argument. For example, musicologist Thomas Brothers (2018) has investigated how a

high-status jazz musician, Duke Ellington, appropriated more rewards from the collaborative outcomes by ignoring the contributions of the members to gain more status, as he concluded:

> Ellington misled the public by exaggerating his own role, keeping collaborators out of sight and off the credits on record labels. Today the situation is much clearer than it used to be, thanks to research on Billy Strayhorn and increasingly honest assessment of the entire phenomenon. To emphasize collaboration runs counter to Ellington's elite status. His exceptional standing has been strong for a long time, but at what cost? (Brothers, 2018: xvii).

According to multiple studies of Duke Ellington, members of Duke Ellington Orchestra perceived felt anxiety about the fact that they had not been publicly recognized while Duke Ellington has solidly gained his status (Hajdu, 1997; Teachout, 2013; Martin & Waters, 2016; Brothers, 2018). He rarely recognized the contributions of his members in the album credits even though it was his members who composed a major part of the song. Also, when filing the copyright claim, Duke Ellington barely included the "real" composers in his band, but did include himself and his manager. Similar cases are also found in the Miles Davis band in his late years, the period when he collaborated with many young, unknown musicians whose status was far lower than the status of Miles Davis (Cole, 2007).

As a member perceives status inequality for the above reasons, he/she can make an entrepreneurial decision for several reasons. First of all, status inequality can prompt search behaviors to address the problem. As a member realizes higher commitments

and/or low appropriation in the organization, he/she would be willing to find an alternative in the career to balance his/her commitment and appropriation (Greve, 2003). More importantly, such status inequality is (perceived as) durable and unsolvable in the organization or even in other organizations (Tilly, 1998). Thus, a member perceiving status inequality is likely to make a decision to make the uncontrollable (i.e., durable and unsolvable inequality) controllable by being at the top of a local status hierarchy (Sørensen & Sharkey, 2014; Kacperczyk & Balachandran, 2018). Furthermore, psychological evidence shows that inequality perception can lead to risky decisions, even ones of which consequences are obviously undesirable (Callan, Shead & Olson, 2011; Payne, 2017). In this context, individuals perceiving inequality in the current employer are more likely to choose to form a new organization rather than being employed in an established organization. Taken together, the above arguments conclude that perception of status inequality due to a status gap between a leader and a member is likely to result in the member's entrepreneurial decision.

Hypothesis 1a. *A status gap between a leader and a member has a positive relationship with an entrepreneurial decision of the member.*

Additionally, leader-specific benefits in reward appropriation could be a source of inequality even when a status gap between a leader and a member is small. Empirical evidence has shown increasing CEO pays that are not justified by firm performance (Mishel & Wolfe, 2019), and a substantial amount of research has been devoted to demonstrating why and how CEOs receive particularly large rewards in the firm (Jensen & Murphy, 1990; Gómez-Mejia & Wiseman, 1997; Aggarwal & Samwick, 1999; Porac,

Wade & Pollock, 1999). Agency theory highlights the economic motives of CEOs, proposing that imperfect monitoring of the CEOs results in their larger reward appropriation (Jensen & Meckling, 1976). The notion of *romance of leadership* highlights the psychological aspects of this phenomenon: the psychological bias that people generally attribute organizational outcomes more to leaders than other factors (Meindl, Ehrlich & Dukerich, 1985). In sum, these and other theories support that organizational leaders appropriate larger rewards than they deserve.

Such leader-specific benefits in reward appropriation can be perceived problematically, particularly when a member is closely positioned to the leader in the status hierarchy. As the status gap between the leader and the member is negligible, the sharp discontinuity in the reward appropriation would be perceived as inequal and this can engender an entrepreneurial decision of the leader as a solution to the appropriation problem. This is also consistent with the notion of status ambiguity by Gould (2003): ambiguity in social rank engenders interpersonal concerns and in turn, can lead to conflictual or competitive consequences. Therefore, this suggests a counterargument of Hypothesis 1a: a smaller leader-member status gap, especially a very close one, can lead to an entrepreneurial decision of the leader.

Anecdotal evidence in the context of this study also shows an idea consistent with the above arguments. For example, Buddy Rich who was a drummer prodigy had comparable prominence with the bandleaders in the industry in his teens (Barron, 1986). It is well known that he often had clashes with the bandleader Tommy Dorsey and another prominent member in the band, Frank Sinatra, and he finally formed his own

band after he left the Tommy Dorsey band (Alkyer et al., 2009; Barron, 1986). Taken together, I specifically predict that a positive relationship in status ambiguity between a leader and a member and an entrepreneurial decision of the member. It is hypothesized as a negative relationship between a leader-member status gap and an entrepreneurial decision, although I conjecture that the relationship is not smoothly linear.

Hypothesis 1b. *A status gap between a leader and a member has a negative relationship with an entrepreneurial decision of the member.*

If both Hypotheses 1a and 1b work as expected, the synthesis of the two would be a U-shape relationship between a leader-member status gap and entrepreneurial decisions. Hypothesis 1a predicts a positive, linear relationship and Hypothesis 1b conjectures that entrepreneurial decisions are made specifically when the status gap is marginal. Therefore, I also propose the U-shape relationship as follows:

Hypothesis 1c. *A status gap between a leader and a member has a U-shape relationship with an entrepreneurial decision of the member.*

Leader status distinctiveness

In addition to this individual-level factor proposed above, status inequality can be perceived due to group-level factors (He & Huang, 2011; Bunderson, Van der Vegt, Cantimur & Rink, 2015). The power of a leader would be better justified when multiple members in the organization, rather than a focal member in a dyad, grant it, and how a member perceives status inequality can be shaped by how colleagues are treated in the organization. As such, the organizational structure in regard to status (or status

configurations of an organization) can influence an organization-level climate of status inequality. Particularly, I consider the status *distinctiveness* of leaders as a determinant of organization-level climate of status inequality. A status of a leader is more distinguished when i) the leader has a much higher status than the members and ii) there are few members whose status is close to that of the leader. As visualized in Figure 2, it is straightforward that a higher status gap with members engenders a more distinctive status of a leader (Case 1 versus Case 3 in Figure 2). However, the average status gap with members is insufficient because the leader status could be less distinctive when some members are closely located in the status hierarchy. In Figure 1, Cases 2 and 3 have the same average status gap between the leader and the members, but the leader in Case 3 is more distinctive in the status hierarchy because, unlike Case 2, there is no member whose status is close to the status of the leader. Thus, the leader in Case 3 is more distinguished from the members than the leader in Case 2 is.[5]

Status distinctiveness can create organization-level status inequality in two ways. First, a leader is more likely to have concentrated power in the organization when his/her status is more distinguished (He & Huang, 2011; Bunderson, Van der Vegt, Cantimur & Rink, 2015). This concentrated power due to the streamlined top-down structure allows

[5] Leader-member status gap and leader status distinctiveness do not necessarily have a high correlation with each other either conceptually or empirically, although a slight correlation exists. Given a leader-member status gap, status distinctiveness still varies with leader-member status gaps of other members and member-member status dispersion. For example, even though the focal member has a large status gap with the leader when other members have a smaller status gap with the leader, the leader has a small amount of status distinctiveness in the organization. In contrast, even though the focal member has a small status gap with the leader, if the other members have a larger status gap with the leader, status distinctiveness becomes large not because of the focal member's status gap but that of the other members. Cases 1 and 2 in Figure 1 demonstrate these examples. Therefore, even when a focal member's status gap is at its highest or lowest, I expect substantial variance in status distinctiveness.

the leader to press members to devote more effort and to appropriate larger rewards from the organizational outcomes. For instance, the leader, using his/her power, can set unapproachable goals and/or design operational routines in a way that the member should devote larger commitments. The leader can also appropriate greater rewards from the organizational outcome while the members appropriate much smaller rewards (Jensen & Meckling, 1976).

Second, status distinctiveness can create a limited opportunity structure of the organization, that is, perception of a low probability of status mobility within the organization (Sørensen, 1977; Kacperczyk, 2012; Sørensen & Sharkey, 2014; Kacperczyk & Balachandran, 2018). Opportunity structure, defined as "the maximum possible attainment" and "the ratio of positions at adjacent levels of hierarchy" (Sørensen & Sharkey, 2014: 333), is negatively associated with status distinctiveness. When members in an organization are evenly positioned in the status hierarchy (i.e., some members are close to the leader whereas others are not), one is more likely to perceive a higher possibility of status attainment within the organization because he/she can find another member being positioned close to the leader. In contrast, when members are populated in a certain position and the status of the leader could seem to be unattainable, then a member finds no probability of attainment within the organization. Research shows that employees in an organization with a limited opportunity structure are likely to make an entrepreneurial decision (Sørensen & Sharkey, 2014). In this regard, when leader status is distinctive (i.e., a leader dominates the status in the organization), the member is likely to think that there is no need to stay in the organization while making

greater commitments to the organizational outcomes. Thus, he/she would consider other alternatives in pursuit of status mobility, one of which is entrepreneurship (Sørensen & Sharkey, 2014; Kacperczyk & Balachandran, 2018). These arguments suggest that the power dominance of a leader and/or a limited opportunity structure in an organization can engender a perception of status inequality and in turn, leads to entrepreneurial decisions.

Hypothesis 2. *Status distinctiveness of the leader in the previous employer has a positive relationship with an entrepreneurial decision of the musician.*

In addition to the main effects, status distinctiveness can also moderate the relationship between a status gap and an entrepreneurial decision. When a focal member perceives status inequality within the leader-member dyad, he/she is likely to compare him/herself with other colleagues in the organization (i.e., internal social comparison; Kacperczyk, Beckman & Moliterno, 2015) to see whether status inequality perceived by him/her is solvable within the organization (Hirschman, 1970; Withey & Cooper, 1989), and it would be considered as more problematic when the colleagues mostly suffer from the same issue. Then, the focal member who found no possibility to improve within the organization because of the high leader status distinctiveness, he/she is much more likely to make an entrepreneurial decision. Empirical evidence also supports this line of thought.

In the context of jazz bands, interviews with the members of the Duke Ellington Orchestra hint that they shared the strong sense of discouragement with each other when

they found that many of them had been exploited by the bandleader, which eventually led to conflictual relationships between the leader and the members:

> "Me and Lawrence Brown," joked Hardwick, "we used to call ourselves 'the co-writers.'" Ellington made up another origin story that omitted the co-writers and instead had him writing at a piano, trying to "capture a real sophisticated lady, you know, one who is traveled and learned."
>
> "I don't consider you a composer," was Brown's scornful dismissal of Ellington in a fit of pique. "You are a compiler." (Brothers, 2018: 61)

Indeed, some of the members left the organization to make their own band (e.g., Johnny Hodges) and other members including Lawrence Brown joined the ex-bandmate's band because of the bad relationships with the leader (Teachout, 2013: 271).

> ***Hypothesis 3.*** *The relationship between a leader-member status gap and an entrepreneurial decision is strengthened by status distinctiveness of the leader in the previous employer.*

Moderating Effects of Member Status

Status of an actor has been considered as a critical factor that influences opportunity entrepreneurship (Stuart, Hoang & Hybels, 1999; Shane & Khurana, 2001; Sine, Shane & Di Gregorio, 2003; Shane, 2003; Stuart & Sorenson, 2007). High-status actors are well connected to peers, more accessible to valuable resources and diverse information, and better at bargaining with suppliers and buyers (Benjamin & Podolny, 1999; Stuart &

Sorenson, 2007), thus they are more likely to identify entrepreneurial opportunities, acquire and mobilize resources, and attract more customers (Shane, 2003). Also, high-status actors typically have greater confidence in their future success, which intensifies entrepreneurial aspiration (Merton, 1968; Shane, 2003). As such, ample research evidence has accumulated supporting that status is positively associated with opportunity entrepreneurship.

For the same reasons, however, a status of a member can influence a perception of status inequality which drives entrepreneurship. Particularly, I propose the moderating effects of the status of a member on the direct effects of a leader-member status gap (Hypothesis 1c) and leader status distinctiveness (Hypothesis 2) on entrepreneurial decisions.[6] First, members highly positioned in the status hierarchy would more strongly perceive status inequality due to the local hierarchy as they pay more attention to status peers outside of the organization (i.e., external social comparison; Kacperczyk, Beckman & Moliterno, 2015). High-status actors are typically better connected across the organizations, thus information about status peers outside of the organization is more available to them, which allows more external social comparison of the high-status individual. Low-status actors, in contrast, are not well connected to their peers, so although they are exploited in the organization, it is hard to make sense of inequality due to the limited social comparison. The same force could be driven from the audience side

[6] I acknowledge that leader-member status gap and member status can have a high correlation empirically in some cases, such as homogeneity of leader status: when leader statuses are similar across organizations, a member status would be highly correlated with leader-member status gap. However, if such conditions do not hold, there would be variations in a leader-member status gap that are not overlapped with member status. Particularly, status homophily is theoretical and empirical evidence that can support substantial variances in the leader-member status gap. Since a leader would hire members with similar status, a status gap would not completely be translated into a leader-status status gap.

as well (Zuckerman, 1999). High-status members are highly visible to the audiences and are often compared with status peers (Kovács & Sharkey, 2014). Because of this audience-side force, high-status members are likely to be more attentive to status peers for better differentiation. As a high-status member compares himself/herself more with the peers, he/she is more likely to learn about cases where his/her peers are rewarded more than he/she and the perception of inequality is more likely.

Second and relatedly, high-status members are more likely to find cases where some of the status peers are leaders of an organization. As they learn about the status peers who are at the top of the local hierarchy, social aspiration to become an entrepreneur can also increase (Greve, 1998; Kim, Finkelstein & Haleblian, 2014). Thus, the status of the focal member amplifies the perception of status inequality due to the local status hierarchy via social aspiration.

Anecdotal evidence in the jazz music industry also suggests a consistent idea. Examining the exploitative relationship between Duke Ellington and his arranger Billy Strayhorn, musicologist Thomas Brothers (2018) concluded that the low status of Billy Strayhorn is one of the reasons why he could not exit the band early and pursue an alternative career path despite his perception of inequality:

> As we look at the dramas of their relationship over the next decades, Ellington often seems like an exploiter of his assistant's talent. But imagine these initial years from Strayhorn's point of view. You are young, unconnected, slightly introverted, nerdy, African American, and homosexual, with musical talent bursting out all over the place. What are your options? (Brothers, 2018: 117)

As he concluded, although the low-status musician might perceive inequality in the organization, he could not respond to it because he lacked social connections, which could be a source of social comparison of making sense of inequality and/or a resource he could utilize for career mobility. Taken together, I propose that external social comparison and social aspiration of high-status members would amplify a perception of status inequality and in turn, engender entrepreneurial decisions.

> ***Hypothesis 4.*** *The relationship between a leader-member status gap and an entrepreneurial decision is strengthened by the status of the member.*
>
> ***Hypothesis 5.*** *The relationship between leader status distinctiveness and an entrepreneurial decision is strengthened by the status of the member.*

Moderating Effects of Organizational Performance

Although organizational performance could be a factor that hampers an entrepreneurial decision of members as they may be more satisfied in the outperforming organization, better performance can strengthen a perception of status inequality and in turn, leads to entrepreneurial decisions for three reasons. First, high organization performance can be associated with how much time and energy organizational members devoted. On the one hand, higher prior performance can increase organizational pressure on the members to make greater efforts. Research shows that high-performance gives rise to high expectation, which increases time commitment and emotional exhaustion of the employees (Mishina, Dykes, Block & Pollock, 2010; Baer, Bundy, Garud & Kim, 2018). On the other hand, higher prior performance could be the outcome of exploitation and

inequality perception is strengthened because of the prior experience of being exploited. Studies found that the status gap with the partner increases performance and this is mediated by the larger effort of the lower-status partner (Castellucci & Ertug, 2010; Cowen, 2012). In either way, low-status members in the organization were likely to make a greater effort when the performance was higher, which would strengthen the positive relationship between a leader-member status gap and an entrepreneurial decision (Hypothesis 1a).

Second, higher performance can lower members' appropriation of organizational outcomes. Research has demonstrated that the desirability of organizational performance directs the stakeholders' attribution of the performance to the leader (Jeon & Chae, Working paper). Especially when the performance is significantly good or poor, the stakeholders would be likely to identify the cause(s) of the (un)desirable performance. In this regard, the romance of leadership suggests that organizational successes and failures are likely to be attributed to the leader (Meindl et al., 1985). This contingent attribution to the leader can affect the members' appropriation of rewards in the organization. As the leader is more credited to the success of the organization, the leader would be rewarded at a disproportionately larger share of the organizational outcomes and the members would be rewarded at a lower share of the organizational outcomes. This concludes that organizational performance would strengthen the negative relationship between a leader-member status gap and an entrepreneurial decision (Hypothesis 1b). Taken together, organizational performance would strengthen the U-shape relationships between a leader-

member status gap and an entrepreneurial decision. Particularly, I predict the positive moderation effects of commercial and critical success.

Hypothesis 6a. *The relationship between a leader-member status gap and an entrepreneurial decision is strengthened by the commercial success of the jazz band.*

Hypothesis 6b. *The relationship between a leader-member status gap and an entrepreneurial decision is strengthened by the critical success of the jazz band.*

Furthermore, desirable performance would exert a stronger influence on leaders whose status is more distinctive from the members. Because of his/her distinctive status in the local hierarchy, the leader would perceive greater self-esteem (Frank, 1985; Sidanius & Pratto, 1999), or even narcissism (Chatterjee & Hambrick, 2007). This high self-esteem, driven by the distinctive local position, can bring about stronger self-serving attributional biases, that is, the desirable organizational performance would be more attributed to the leader him/herself (Kelley & Michela, 1980). This self-serving attribution of distinctive leaders, in turn, leads to greater appropriation of the organizational rewards to the leaders rather than to their members.

In addition, reputation for high performance can create stronger motivation of a powerful leader to meet the expectation for high performance, which could put greater pressure on the members (Baer, Bundy, Garud & Kim, 2018; Parker, Krause & Devers, 2019). As the distinctive, powerful leaders perceive stronger expectations for high performance, they are likely to press their members to commit more to organizational

outcomes. As such, members devote more energy and time for organizational outcomes and they are likely to perceive greater status inequality in the organization. Taken together, these arguments conclude that organizational performance strengthens the positive relationship between leader status distinctiveness and member entrepreneurial decisions via the perception of status inequality.

> ***Hypothesis 7a.*** *The relationship between leader status distinctiveness and an entrepreneurial decision is strengthened by the commercial success of the jazz band.*
>
> ***Hypothesis 7b.*** *The relationship between leader status distinctiveness and an entrepreneurial decision is strengthened by the critical success of the jazz band.*

Reproduction of Status Inequality in Entrepreneurial Teams

The hypotheses above focus on the impacts of status inequality on entrepreneurial decisions, which examines entrepreneurial motivation: why an individual pursues an entrepreneurship rather than staying in the current situation. If an entrepreneur forms a venture to avoid deprivation and disadvantages due to status inequality of the previous organizations, the same motivation also impacts entrepreneurial strategies, which aim at achieving what such entrepreneurs expect by their entrepreneurial decision. This linkage between entrepreneurial motivation and strategies are also examined in the research stream of opportunity entrepreneurship (Erikson, 2002; Lee & Venkataraman, 2006; Cardon, Wincent, Singh & Drnovsek, 2009). As an opportunity entrepreneur identifies

promising ideas to attract customers, he/she would acquire resources, mobilize social networks, and develop marketing plans to realize what motivated him/her to be an entrepreneur (Shane, 2003). Likewise, inequality-driven entrepreneurs would pursue entrepreneurial strategy to avoid disadvantages as a have-not in the prior organization.

This motivation of inequality-driven entrepreneurs is particularly important because it originates from prior experiences of the entrepreneur. Prior experience of strategic leaders is one of the key factors in both the top management teams and entrepreneurship literature as affecting strategies and performance of organizations because prior experiences of a leader can function as managerial toolkits and knowledge he/she can use, shape how he/she develops and manages the strategy of the organization (Pfeffer, 1983; Hambrick & Mason, 1984; Aldrich & Waldinger, 1990; Beckman & Burton, 2008).

Taken together, it is likely that strategy of the inequality-driven entrepreneurs is substantially impacted by inequality experiences in the prior organization. Particularly, structure of entrepreneurial organizations would be a critical strategic consideration for such entrepreneurs because it implies how power and authority is distributed across the organizational hierarchy, which induces commitment of organizational members and determines wealth distribution (Alvarez & Barney, 2005). Therefore, I argue that inequality-driven entrepreneurs are more likely to duplicate the local structure of the prior organization that engendered inequality for two reasons (Tilly, 1998).

First, entrepreneurs motivated by a disadvantaged position in the previous organization would intend to take advantages of the local structure he/she designs.

Recognizing that he/she has perceived inequality due to the local structure of the previous organization and that the previous leader has gained advantages due to the same reason, the inequality-driven entrepreneurs are likely to duplicate a similar local structure which seems to be beneficial for themselves as leaders. By duplicating the local structure that benefits a leader, he/she would expect that he/she can make less commitment and appropriate more rewards from the organizational outcomes.

Second, those who made an entrepreneurial decision under a condition of inequality can make strategic decisions that are short-sighted, thus they are likely to rely on prior experiences that are readily available to them. Research has demonstrated that people tend to make myopic decisions when they suffer from inequality (Callan, Shead & Olson, 2011; Payne, 2017). Thus, unlike opportunity entrepreneurs who are willing to explore new alternatives to capture new market opportunities, inequality-driven entrepreneurs are less likely to experiment with different options of a local structure of their organization.

These two explanations are consistent with Tilly's (1998) notion of *emulation* (duplication of established organization models). He proposes that an advantaged group in an organization tends to reproduce unequal structures of other established organizations because i) "familiarity makes them seem natural in the new setting" (Tilly, 1998: 96) and because ii) "lower transactional costs favor the reproduction of existing organizational models" (Tilly, 1998: 96). This concludes that entrepreneurs driven by status inequality would reproduce the local structure of the previous organization where

they perceived inequality because it is familiar and beneficial and because it does not require substantial exploration of alternatives.

The case of Buddy Rich's entrepreneurship supports the above arguments. He was one of the highest-paid sidemen drummers in the early 1940s, and often fought with the bandleader Tommy Dorsey who was a celebrity in the jazz music industry. Thus, his decision to depart from the Tommy Dorsey band to form his own band was not surprising (Barron, 1986). However, despite his prominence and connections to other established musicians, he only hired young, unknown sidemen, which created high distinctiveness of the bandleader (Alkyer et al., 2009; Barron, 1986). Taken together, I predict the similarity in organizational structure, in regard to leader-member status gap and leader status distinctiveness, between the previous employer and the entrepreneurial organization.

Hypothesis 8. *A leader-member status gap of a previous employer is positively associated with a leader-member status gap of an entrepreneurial organization.*

Hypothesis 9. *Leader status distinctiveness of a previous employer is positively associated with the leader status distinctiveness of an entrepreneurship organization.*

In sum, the propositions above are visualized in Figure 2. In the next chapter, I test the proposed theory in the context of the jazz music industry. The hypotheses developed below are a modified version of the propositions in this section.

CHAPTER 4

METHODS

Sample and Data

The empirical analyses of this study examine transitions from an employee to an entrepreneur (i.e., employee entrepreneurship or entrepreneurial transition; Dobrev & Barnett, 2005; Sørensen & Sharkey, 2014) and strategies in the jazz music industry. The specific focus on employee entrepreneurship (vis-à-vis entrepreneurship without prior industry experience) is primarily because I use inequality perception in a previous organization as a key notion in this study, but research also suggests that entrepreneurs generally have prior industry experience (Dobrev & Barnett, 2005; Sørensen & Sharkey, 2014; Kacperczyk & Marx, 2016). Also, similar to prior studies, this study focuses on a single-industry context because social status along with other resources and capabilities are more transferable within the industry (Hallen, 2008; Kacperczyk & Younkin, 2017; Kacperczyk & Marx, 2016). Social position in the original industry attained by an individual becomes substantially obsolete outside of the industry, thus entrepreneurship to create his/her own local hierarchy becomes irrelevant (e.g., employed members in entrepreneurship outside of the original industry are unlikely to defer to the leader based on the status of the leader attained in the original industry). In addition, accumulated resources and capabilities in an industry are less transferable to other industries, so those who are motivated to address durable disadvantages are not likely to take such unknown risks. Following the tradition in the literature, I only consider entrepreneurial transition

within the industry but not extra-industry entrepreneurship (e.g., a jazz musician becoming a restaurant owner).

With the specific focus on the entrepreneurial transitions, this study analyzes the career path of individual jazz musicians who were not leading a band in the previous year (Berliner, 1994; Faulkner & Becker, 2009). In other words, the sample of individuals who have not made an entrepreneurial decision but can make one is a typical approach in the studies of entrepreneurial transition (Dobrev & Barnett, 2005; Sørensen & Sharkey, 2014; Kacperczyk & Marx, 2016).[7] An entrepreneurial decision in this empirical context is to become a bandleader. Just like organizational leaders in other contexts, bandleaders are generally taking the biggest charge on product selection (i.e., repertoire), relationships with buyers (i.e., recording companies), and internal management (e.g., member recruitment) (Gleason, 2016). They are also the most prominent individual of the band and are well identified by audiences as most of the band names include the name of the leader (e.g., Miles Davis Quintet, Bill Evans Trio). Thus, entrepreneurs in this industry have considerable commonalities with those in other industries. In addition, this empirical setting has some advantages to test the proposed hypotheses. First, musicians in the jazz industry are making multiple collaborative ties as a market exchange and such exchanges are easily observable, unlike interfirm exchanges. Since market exchanges reflect a social status of an actor, a study of this context allows me to measure the

[7] Although it is established that a study of entrepreneurial decisions does not include individuals who were already entrepreneurs, this could raise concern for selection bias: non-entrepreneurs are different from entrepreneurs in some attributes. To address the potential concern, I include several controls that could differentiate non-entrepreneurs from entrepreneurs: structural holes (Krackhardt, 1995), productivity (a proxy of capabilities), repertoire novelty (a proxy of innovation experience), and primary instruments (a proxy of organizational roles; Dobrev & Barnett, 2005).

established, network-based status measure. Second, both organizations (i.e., bands) and individuals are easily observed by industry insiders (i.e., musicians themselves) and outsiders (i.e., jazz critics and customers), which allows me to test the effects of social evaluations within and beyond the organization.

More specifically, I construct the sample using panels of each musician which starts when the focal musician starts his/her career and ends until he/she became a leader or when he/she finished a career in the industry. Following prior studies, I constructed five-year window collaboration networks and consider those who do not appear for five consecutive years as inactive (Kremp, 2010; Rossman, Esparza & Bonacich, 2010; Prato, Kypraios, Ertug & Kim, 2019). As for the time period, I collected data on musicians who started their careers in 1950 or after, whereas those who started their careers earlier than 1950 are included only to measure some variables (e.g., status gap). There are a couple of reasons why I use 1950 as the starting year. First, because of the two-year-long strike by the Musicians' Union between 1942 and 1944, no union member participated in any recording during that period (Levin, 1942). Since I use jazz discographies to identify the employment and leadership status of the musicians, the voluntary nonparticipation in the industry can distort empirical findings. Second, because of World War II in the early 1940s, many musicians were in military service, which constrained service musicians from making an entrepreneurial decision (*DownBeat*, 1943). Since I use 5-year-window collaboration networks to measure status, observations between 1945 and 1949 are only used to measure lagged variables and the sample starts in 1950.

To identify the band membership of the musicians, I collected discography data from *Allmusic.com*, which is used by prior studies (Kacperczyk & Younkin, 2017; Park, Celma, Koppenberger, Cano & Buldú, 2007). It is one of the most popular online discography databases and is used by many recording retailers, which allows me to track historical collaboration networks and the leader status of each musician. Using a web-scraper, discographies whose primary or secondary genre is classified as jazz were collected from the database. Then, I extracted individuals who are credited as a performer role (e.g., primary artist, piano, and trumpet) from the dataset.

To measure customer recognition of the musician, I collected the musician ranking data from *DownBeat* magazine. The magazine is the oldest and the most popular jazz magazine in the world and has conducted an *Annual Readers' Poll* based on customer surveys since 1937. This ranking clearly differentiates favorability of the jazz musicians, and organizations associated with the ranked musicians use the poll results as a prestigious marker. For instance, many recording labels and musical instrument companies place an advertisement that their endorsed artists are nominated in the poll for marketing purposes. Some of the winners in the late 1950s (Barney Kessel, Ray Brown, and Shelly Manne) formed the band named *Poll Winners* and recorded six albums (e.g., The Poll Winners in 1957, Poll Winners: Exploring the Scene in 1960). These anecdotes suggest that the ranking results clearly represent prominence and influence their market exchanges (Podolny, 1994; Chung, Singh & Lee, 2000). I manually coded nominated musicians in rankings of all categories (e.g., alto saxophone, arranger, and jazzman of the

year) from the microfiche of the magazine since its beginning (1937), and manually matched the ranking to the *Allmusic.com* dataset.

Theoretical Predictors

Leader-member status gap. Hypothesis 1 examines the relationship between a status gap and an entrepreneurial decision. It is measured by the gap between the leader and the focal musician (i.e., the status of leader minus the status of the focal musician) compared to those of the status peers. Status, defined as an actor's accumulated deference from the others in the market (Podolny & Phillips, 1996), is often operationalized as centralities of networks constructed by symmetrical ties (e.g., collaborations, supplier network) or asymmetrical ties (e.g., a superior position in tombstone advertisements), and is known to be associated with other market constructs, such as bargaining power (Benjamin & Podolny, 1999), partner selection (Podolny, 1994), and internal hierarchy (He & Huang, 2011). Following this tradition, the primary operationalization of status in this study is status recognized by industry peers using the collaboration networks of the musicians in the sample (Podolny, 1993). More specifically, I use Bonacich centrality of the collaboration networks among the musicians (Bonacich, 1987), which measures how much the focal actor is connected with largely connected peers. Formally, this is operationalized as follows:

$$c(\alpha, \beta) = \alpha \sum_{k=0}^{\infty} \beta^k R^{k+1} 1$$

$$= \alpha (I - \beta R)^{-1} R \cdot 1$$

where α is a scaling factor, β is a weighting factor, R is a $n \times n$ matrix describing the collaboration relationships of n musicians. The scaling factor α is usually set differently to easily compare multiple networks (e.g., status levels across different time points), but status is mainly used to compare status levels of multiple actors in a given year, so I set α at 1. The weighting factor β must be smaller than the reciprocal of the eigenvalue of R so that the sum of infinite geometric series can converge, and a smaller β gives a relatively large weight on proximately connected peers (a relatively small weight on distally connected peers). Following prior studies (Podolny, 1993), I set β at 0.75 times the reciprocal of eigenvalue of R.

I measure a status gap between a leader and member by subtracting the status of the focal member from the status of the leader, following the prior studies (Casetellucci & Ertug, 2010; Cowen, 2012). More specifically, it is operationalized as follows:

$$\frac{\sum_{f \in i}^{n} (c_{il} - c_f)}{n}$$

where

- i is a band that the focal musician is employed
- n is the number of bands that the focal musician is employed
- c_{il} is the status of the leader of the band i
- c_f is the status of the focal musician

As expressed above, for those who worked for multiple bands in a given year, I take the mean of them. The rationale of the use of mean is that one can compromise large inequality in a band with small inequality in another. For a robustness check, I also ran the same model using maximum value rather than mean and the results are consistent

with the primary analysis, in terms of the direction of the coefficient and statistical significance.

Although the use of this difference-based measure is to deal with varying numbers of memberships across individuals and to incorporate with multiple moderators, it is prone to methodological problems (Edwards, 1994). To partially address this concern, I conduct supplementary models with mean of leader status and focal member status.

Leader status distinctiveness. Hypothesis 2 examines how leader status is distinctive from the statuses of other members. As described above, leader status distinctiveness implies both i) larger status gap between a leader and his/her members and ii) smaller status variance among members (so that fewer members have a status closer to the leader). This requires a new operationalization because established operationalizations of (status) inequality cannot capture the construct of leader status distinctiveness. As presented in Table 2, dispersion measures, notably Gini coefficient, cannot capture how a leader is differentiated from the others (Blau, 1977; He & Huang, 2011; Carnahan, Agarwal & Campbell, 2012; Kacperczyk & Balachandran, 2018). For example, the leader in Case 4 can be considered as more differentiated from the members compared to Case 2, because there is no member nearby the leader in Case 4. However, the Gini coefficient of Case 2 is higher than Case 4, thus cannot capture this aspect. Also, another operationalization using maximum attainable position (e.g., maximum wage as a worker in the firm; Sørensen & Sharkey, 2014) does not differentiate the distribution below the maximum attainable position. For example, Cases 3 and 5 have an identical maximum attainable position, but the leaders in the two cases have a different degree of distinctiveness (i.e.,

the leader in Case 3 is more distinctive than the leader in Case 5). Therefore, I measure leader status distinctiveness as a combination of i) distance between a leader and members and ii) dispersion among the members to validly capture status distinctiveness, as formalized as leader status distinctiveness *D*:

$$D = \frac{1}{n}\left(\sqrt{\sum_{i=1}^{n-1}(s_n - s_i)^2} - \sqrt{\sum_{i=1}^{n-2}(s_{i+1} - s_i)^2}\right)$$

where s_n denotes the status of the leader, and s_i denotes the status of the *i*th member and is indexed in nondecreasing order of status. *n* is the number of the leader and members of the focal organization. Simply put, this is operationalized as the leader-member status gap (the left part) deducted by member status dispersion (the right part). As shown in Table 2, this measure increases as the leader has a higher status gap with the members and decreases as the leader has more members positioned nearby. Similar to leader-member status gap, for those who worked for multiple bands in a given year, I take the mean of them, and the use of maximum value does not change the results in terms of the direction of the coefficient and statistical significance.

Member status. As described above, a status of a musician is measured as Bonacich centrality of the collaboration networks among the musicians (Bonacich, 1987) with α set at 1 and β at 0.75 times the reciprocal of the eigenvalue of network matrix *R*. This variable, along with leader-member status gap and leader status distinctiveness, is orthogonalized to avoid the multicollinearity issue. I also conducted supplementary analyses with each of the unorthogonalized versions of the variables being separately

entered, and I found no substantial difference in terms of direction and statistical significance of the coefficients.

Critical performance. To measure the performance of an organization, I use the number of albums that are evaluated by the critics. Since some musicians record multiple albums in a year and not every album is rated by critics, the best way to quantify critical evaluation of each musician in a year is summing up the number of albums that "stand out." I counted the number of albums with ratings of 8 and above in the 10-point scale rating of *Allmusic.com* database. For a robustness check, I also tested whether the use of a 7 or 9 rating as a threshold changes the results, and I found the consistent results regardless of the thresholds.

Commercial performance. To measure the commercial performance of the band that a focal musician was employed, I use the *Jazz Album of the Year* ranking of *DownBeat Readers' Poll*. This ranking is determined by the readers of the jazz magazine *DownBeat* and can represent the degree to which an album attracts the customers. Since album sales data for early years are not available, this is the best proxy to measure the commercial success of the albums and the musicians who participated in the albums in the period of the sample. I use the number of votes of the albums that a focal musician has participated in.

Dependent Variables

The dependent variable of the first set of hypotheses (Hypotheses 1 to 7) is an entrepreneurial decision. It is measured by a binary variable of whether a focal musician

becomes a bandleader in the focal year. It is coded as 1 if the focal musician first became a bandleader and is coded as 0 otherwise. I first coded the focal musician as the bandleader when the band name includes the name of the focal musician (e.g., Miles Davis in Miles Davis Quintet). If the band name does not include any name of the musician (e.g., Modern Jazz Quartet, The Bad Plus), I did media search to identify the leader of the band. Going on solo is also considered as an entrepreneurial transition and thus is coded as 1 as well, but mere mobility from one band to another as a member is not coded as an entrepreneurial decision (thus coded as 0).

The dependent variable of the second set of hypotheses (Hypotheses 8 to 9) is a leader-member status gap and leader status distinctiveness of the entrepreneurial team. *Leader-member status gap of the entrepreneurial team* is measured as the mean of status gaps between the leader and each member in the band. *Leader status distinctiveness of the entrepreneurial team* is measured in the same way of *leader status distinctiveness* as described above. For those who go on solo, I coded the two variables as 0 because there is no organizational hierarchy in a solo artist.

Control Variables

This study proposes entrepreneurship driven by workplace inequality, which is distinctive from the dominant perspective of opportunity entrepreneurship. For this reason, it is important to rule out any potential association between theoretical predictors of this study from opportunity entrepreneurship. To achieve this, several controls that can present identification and exploitation of opportunities are included in the analyses. First, factors

associated with market opportunity are controlled. *Genre popularity* is measured as the total number of albums that are categorized as the same genre with the primary genre of the employed band in the focal year. In addition, *year dummies* are included to rule out any market opportunities and other temporal effects in each year.

Second, a network measure is included to rule out the possibility that a musician can better identify entrepreneurial opportunities via his/her social network. Namely, *structural holes* are associated with information diversity one can access (Ahuja, 2000; Burt, 2004), and studies show the relationships between structural holes and entrepreneurship (Krackhardt, 1995). This is measured as the effective size proposed by Burt (1992) as follows:

$$\sum_{j}\left(1-\sum_{q}p_{iq}m_{jq}\right), q \neq i, j$$

where p_{iq} is the ratio of the degree between actors i and q over the total degree of i, and m_{jq} is the ratio of degree between actors j and q over the total degree of j. Briefly, this captures the portion of non-redundant connections between i and j.

Third, factors associated with capabilities and resource abundancy of the musician are controlled. I control for *repertoire novelty* as a proxy of prior experiences of innovative practices, as innovations are often associated with entrepreneurship in the literature (Schumpeter, 1934; Pahnke, McDonald, Wang & Hellen, 2014). In the jazz music industry, repertoires are typically dichotomized into *standards* (i.e., canonical tunes that have been performed by several musicians in the industry) and *originals* (i.e., newly composed songs that have not been performed by others yet). Originals typically

require learning melodic, harmonic, and rhythmic structures of the tunes before a performance, whereas jazz musicians are generally expected to know standards so that they can perform such tunes even without rehearsals (Faulkner & Becker, 2009). This control is measured as the average ratio of newly composed songs over the total number of the songs in each album. Finally, I also control for the *primary instrument* of a musician because the role of a musician can encourage or restrict the easiness of entrepreneurship (Dobrev & Barnett, 2005). For instance, players of instruments that are typically considered as solo instruments (e.g., vocal, saxophone, trumpet) are likely to stand out in the band, thus such musicians may identify market opportunities. This control is measured as dummy variables of the primary instrument: (1) wind instruments, (2) string instruments, (3) vocal, (4) keyboard instruments, (5) guitars, (6) basses, and (7) percussions.

Model Specifications

The hypotheses in this study compare between-individual and between-organization variances: I propose that individuals whose leader-status gap is higher or smaller than the others are more likely to make an entrepreneurial decision and that individuals in an organization whose leader status is more distinctive than other organizations are more likely to make an entrepreneurial decision. Although the same can be applied to within-individual or within-organization arguments, this study primarily examines between-variances. Therefore, the primary approach is cross-sectional (for survival analyses) and

random-effects (for two-stage models) estimations, supplemented by robustness checks that account for within-variances.

Hypotheses 1 to 7 predict the binary variable of an entrepreneurial decision using the sample where individuals make the decision after a period of time (measured as discrete years). The simplest way of estimating this could be probit or logit where predictors measured in the earlier than a given predict the entrepreneurial decision in the given year. However, such an estimation approach does not effectively account for temporally accumulated entrepreneurial motivation over time. In other words, although an individual's entrepreneurial decision can be influenced not only by covariates measured in the observation at time *t*-1, but also those measured in the earlier observations before *t*-1. Because of the unobserved temporal accumulation, an individual who has experienced entrepreneurial motivators for a longer period is more likely to have a higher likelihood of an entrepreneurial decision than others who experienced in a relatively short period. To account for this durational effect**,** I use survival models More specifically, I use Cox proportional hazard models as the primary model.

Hypotheses 8 to 9 examine entrepreneurial team formation (specifically, status gap and distinctiveness of the entrepreneurial organization); thus the estimation models only use selected observations where a focal individual became an entrepreneur. To correct the selection bias, I included the hazard ratios from the Cox model predicting entrepreneurial decisions. Thus, an ordinary linear regression model predicting leader-member status gap or leader distinctiveness of the entrepreneurial organization with the hazard ratios is used to examine Hypotheses 8 and 9.

CHAPTER 5

RESULTS

Entrepreneurial Decisions

Hypotheses 1 to 7 examine whether and how an entrepreneurial decision of band members is affected by status disparities between the leader and employees. Table 3 reports the descriptive statistics and correlation table of the variables used in the estimation of entrepreneurial decision. The variance inflation factor (VIF) analyses of the full model indicated that the mean VIF score is 4.96, while the three-way interaction term of status gap squared × status distinctiveness has a VIF score of 13.56, which can cause a multicollinearity issue (Kutner, Nachtsheim, Neter & Li, 2005). Thus, the results are reported stepwise to see how inclusion of the three-way interaction term affects the results.

Table 4 reports the results of the estimation of entrepreneurial decisions, testing Hypotheses 1 to 7. Model 1 includes leader-member status gap, leader status distinctiveness, main effect of the moderators, and control variables to test Hypotheses 1a/b and 2. Model 2 adds the squared term of leader-member status gap to test Hypothesis 1c. Model 3 includes the interaction terms of leader-member status gap and leader status distinctiveness to test Hypothesis 3. Model 4 includes interaction terms of member status to test Hypotheses 4 and 5. Model 5 includes interaction terms of critical performance to test Hypotheses 6a and b. Model 6 includes interaction terms of commercial performance Hypotheses 7a and b. Finally, Model 7 is the full model of this study.

Hypotheses 1a to 1c suggest a positive, negative, and U-shape impact, respectively, of leader-member status gap on an entrepreneurial decision. The results consistently suggest the negative, and slightly inverse-U shape relationship between the two variables. According to the full model (Model 7 in Table 4), the coefficient of the linear term of leader-member status gap is -0.352 (hazard ratio = 0.704; $p<0.001$) and the coefficient of the squared term is -0.061 (hazard ratio = 0.941; $p<0.001$). Figure 5 is a visual representation of the relationship between leader-member status gap and an entrepreneurial decision. Considering that the observations are mostly populated in the areas that are greater than the turning point, it shows that although there is a slight curvilinearity in the relationship, the overall relationship is close to negatively linear. Based on the coefficient of the linear term, a 1SD increase in the status gap leads to a decrease of the likelihood by the factor of 0.704, that is, 29.6%. Thus, the results are more aligned with Hypothesis 1b, but not Hypotheses 1a and 1c. This suggests that an employee is likely to make an entrepreneurial decision when there is no further benefit of working for a higher-status leader (e.g., status spillover), but disadvantages of non-leader status.

To further investigate the inverse-U shape impact, I initially conducted Lind and Mehlum's (2010) 3-step procedure, which tests 1) whether the quadratic term is significant, 2) whether the slopes at both ends are sufficiently strong, and 3) whether the turning point is within the data range (also see Haans et al., 2016). I used -utest- package in Stata for the procedure. The result suggests that the quadratic term is statistically significant ($p < 0.001$). It also suggests that the turning point is within the data range

(Fieller confidence interval = [-3.775, -2.318]) but, as discussed above, the majority of the observations are located above the turning point. The result also suggests that the slopes at the lower and upper bound are negative and positive respectively at statistically significant level (Lower bound slope = 2.214, $p<0.001$; Upper bound slope: -1.699, $p<0.001$).

Secondly, I used a spline specification by splitting leader-member status gap into two variables: positive leader-member status gap and negative leader-member status gap. Since leader-member status gap is orthogonalized, I split it based on the value of the unorthogonalized version. The results suggest that neither the linear nor squared term of the negative leader-member status gap is a significant predictor of entrepreneurial decisions. However, both the linear and squared terms of the positive leader-member status gap are a significant predictor (Linear: $b=-0.511$, $p < 0.001$; Squared: $b=-0.035$, $p = 0.009$). This suggests not only that the cases of members having a higher status than the leader do not distort the primary results, but also that those cases may behave differently from the other cases.

Finally, I ran the same model using the observations where the focal member has a lower status than the leader. This removed 13,828 observations around the lower bound, some of which led to omission of part of the musician-year panel. The results are consistent with the primary results as well as the above analysis (i.e., the spline specification). The coefficient of the squared term in this supplementary analysis is slightly (but not significantly) smaller than the coefficient in the primary analysis ($b=-$

0.042, p=0.001), while the coefficient of the linear term in this supplementary analysis is significantly smaller (b=-0.440, p<0.001, 95% confidence interval = [-0.511, -0.369]).

Hypothesis 2 predicts the positive impact of leader status distinctiveness on entrepreneurial decisions, and the results support the relationship. According to Model 7 in Table 4, the coefficient is 0.141 (hazard ratio = 1.152) and it is statistically significant (p<0.001). This means that a 1SD unit increase in leader status distinctiveness generally increases the likelihood of employee entrepreneurship by the factor of 0.152. Figure 6 is a visual representation of the positive relationship between leader status distinctiveness and an entrepreneurial decision. Thus, Hypothesis 2 is supported.

Hypothesis 3 proposes the moderation effect of leader status distinctiveness on the relationship between leader-member status gap and an entrepreneurial decision such that the U-shape relationship of Hypothesis 1c becomes steeper. According to Model 7 in Table 4, the coefficient of the three-way interaction term of leader-member status gap squared × leader status distinctiveness is positive and significant (b=0.005, p<0.001), and the coefficient of the two-way interaction term of leader-member status gap × leader status distinctiveness is positive and significant (b=0.015, p<0.001). Given that the main effect is an inverted-U shape, this indicates that the curve is tilted counterclockwise, and the slope is flattened out. Figure 7 is a visual representation of the moderation effects showing that members having a higher status gap with the leader are more affected by their status gap when the leader status distinctiveness is high. Despite the positive coefficients, Hypothesis 3 is not supported because the direction of leader-member status gap is opposite to the prediction. However, this suggests an interesting understanding of

the phenomena: status distinctiveness especially strengthens the entrepreneurial motive of those who have a large status gap with the leader, possibly because the perceived benefits of a large leader-member status gap (e.g., status spillover) is weakened by a large leader status distinctiveness.

Hypotheses 4 and 5 propose the moderation effects of the absolute status of the focal member on the effects of leader-member status gap and leader status distinctiveness, respectively, on an entrepreneurial decision. According to Model 7 in Table 4, the positive coefficients of leader-member status gap squared × member absolute status is positive and significant (b=0.002, p<0.001) and status gap × member absolute status has a positive effect (b=0.026, p<0.001). As visualized in Figure 8, the inverted-U shape main effect is flattened out on the right side, but the left side of the curve does not drastically change as the whole curve is slightly tilted counterclockwise. Similar to the results of the moderation effect of status distinctiveness on H1 (H3), this could be interpreted as a conditional effect of those who have a large status gap with the leader on an entrepreneurial decision: while a high leader-member status gap generally suppresses the entrepreneurial motive, the suppressed motive is weakened when the focal member has a high status. Hypothesis 5 was supported by the significant and positive coefficient of the interaction term of leader status distinctiveness × member absolute status (b=0.024, p<0.001). Figure 9 is a visual presentation of the moderation effect. This suggests that high status members working for a highly distinctive leader in the organization are much more likely to become an entrepreneur than lower status members. Overall, Hypothesis 4 is not supported, but Hypothesis 5 is supported.

Hypotheses 6a and 6b propose the strengthening moderation effect (i.e., an increasing steepness of the curve) of critical and commercial performance, respectively, on H1a, H1b or H1c. The three-way interaction term of leader-member status gap squared × critical performance is positive but not significant (b=0.002, p=0.561 in Model 7). The two-way interaction term of leader-member status gap × critical performance is positive but not significant (b=0.022, p=0.262 in Model 7). Figure 10 is a visual representation of the moderation effect. Similar to the moderation effect of critical performance, the moderation effect of commercial performance does not have empirical support. The three-way interaction term of leader-member status gap squared × commercial performance is negative and not significant (b=-0.000, p=0.314 in Model 7). The two-way interaction term of leader-member status gap × commercial performance is negative and not significant (b=-0.000, p=0.333 in Model 7). Figure 11 is a visual representation of the moderation effect.

Hypotheses 7a and 7b suggest the moderation effect of critical and commercial performance, respectively, on H2. As reported in Table 4, neither of them was empirically supported (b=-0.025, p=0.375; and b=0.000, p=0.785 respectively). Figures 11 and 12 are a visual representation of the H7a and H7b, as they demonstrate there is no difference in terms of the slope between the predicted lines, confirming no substantial moderation effect of the organizational performance.

Polynomial Regression. In addition to the primary analyses reported above, I conducted a supplementary analysis to check the robustness of leader-member status gap. Leader-member status gap is measured as a difference score, and scholars have suggested

potential methodological concerns about difference scores (e.g., Edwards, 1994). To address this concern, I conducted polynomial regressions using separate leader status and member status. Table 5 reports the descriptive statistics and correlation table, and VIF analysis suggests that multicollinearity issues are not substantial: the mean VIF is 5.14 and none of the variable has a VIF score higher than 10, except some of the year dummies. Table 6 reports the results of the polynomial regressions. Model 1 in Table 5 uses the linear specification (including leader status and member status), Model 2 adds an interaction term of leader status × member status to the linear specification, and Model 3 uses the quadratic specification (including leader status, member status, leader status squared, leader status × member status, and member status squared).

Figures 14 and 15 are a visual representation of the effects of leader status and member status on an entrepreneurial decision in the linear and quadratic models respectively. Similar to the results of the primary analyses (see Figure 5), these figures also demonstrate that an entrepreneurial decision is less likely as the leader status is larger than the member status. Although Figure 14 shows an inverted U-shape curvilinearity over member status (Y-axis), considering that post observations are populated in the lower end of the Y-axis (mean=0.209, SD=0.685), the effect of leader-members status gap (member status effects given the leader status) is close to a linearly negative one. Figure 15 clearly shows the negative relationship: given the leader status, a higher member status is associated with a higher likelihood of entrepreneurial decisions. In summary, the result of the polynomial regression along with the primary results supports Hypothesis 1b, but not Hypotheses 1a and 1c.

Alternative measure of status using customer evaluation. In addition to the status measurement based on collaboration networks, I also conducted the same analytic models using the status measurement based on audience evaluation. As mentioned above, the audience-based status is measured by Alpha centrality from the directed networks of the musicians' rank orders in *DownBeat Annual Readers' Poll* (Rossman, Esparza & Bonacich, 2010). However, this audience-based measure has a critical limitation to appropriately compare leader status distinctiveness across organizations, as status dispersion among members are not precisely measured. This is because the status of only musicians ranked in the *DownBeat* poll has a positive value, while the rest are measured as 0. Because of this, the correlation between leader-member status gap and leader status distinctiveness in this status measurement is 0.930, which suggests that the two variables are substantially identical. Although the two variables are orthogonalized to avoid multicollinearity in the regression models, leader status distinctiveness still suffers from the measurement issue and requires special caution.

Table 7 reports the descriptive statistics and correlation table of the variables used in the estimation of entrepreneurial decision. The VIF analyses indicated that the mean VIF score is 2.98, while the two interactions terms have the VIF score higher than 10 (status gap × member absolute status, status gap squared × member absolute status), which could create a multicollinearity issue. Thus, the results are reported stepwise to substantiate how inclusion of the three-way interaction terms affect the overall model.

Table 8 reports the results of the Cox estimation of entrepreneurial decisions. The results of this supplementary analysis suggest the negative relationship between the two variables. According to Model 7 in Table 8, the coefficient of the alternative leader-member status gap is -0.328 (p<0.001) and the coefficient of its squared term is -0.001 and it is not significant (p=0.731). Thus, this negative relationship supports Hypothesis 1b.

Hypothesis 2 predicts the positive relationship between leader status distinctiveness and an entrepreneurial decision, and the results do not support the relationship. According to Model 7 in Table 8, the coefficient is -0.084 and it is statistically significant (p<0.001). As mentioned, this result needs cautious interpretation because of the limitation in capturing status variation among members within the organization and the extremely high correlation with leader-member status gap. It is also noteworthy that when it is not orthogonalized, leader status distinctiveness has a positive coefficient (b=2.260, p<0.001). Although the use of the unorthogonalized variables can cause a multicollinearity issue, it is worth noting that the opposite result of the models using the orthogonalized variable may require a cautious interpretation.

Hypothesis 3 proposes the moderation effect of leader status distinctiveness on H1. Model 7 in Table 8 reports the positive and significant coefficient of the three-way interaction term of leader-member status gap squared × leader status distinctiveness (b=0.001, p<0.001) and the two-way interaction term of leader-member status gap squared × leader status distinctiveness (b=0.031, p<0.001). This is consistent with the primary results: those who have a large status gap with the leader might be more affected

by the distinctive position of the leader within the organization. However, Hypothesis 3 is not supported, just as the primary results, because the U-shape main effect (Hypothesis 1c) is not supported.

Hypotheses 4 and 5 propose the moderation effects of member absolute status on H1 and H2, respectively. According to Model 7 in Table 8, the coefficient of leader-member status gap squared × member absolute status is negative and significant (b=-0.012, p=0.006) and leader-member status gap × member absolute status is positive but not significant (b=0.017, p=0.459). Since the main effect of leader-member status gap has no significant curvilinear effect, the moderator only adds slight curvilinearity to the negative main effect. Also, member absolute status significantly moderates H2 (b=0.062, p=0.003), but given the negative main effect, this significant moderation effect does not support the theoretical argument of H5. Overall, Hypotheses 4 and 5 are not supported.

Hypotheses 6a and 6b propose the strengthening moderation effect of critical and commercial performance, respectively, on H1a, H1b or H1c. The results suggest that the moderation effect of critical performance is not supported. According to the full model (Model 7 in Table 8), the coefficient of leader-member status gap × critical performance is 0.007 (p=0.672) and the coefficient of leader-member status squared × critical performance is 0.002 (p=0.665). This is consistent with the primary results suggesting the insignificant moderation effects. Likewise, the results suggest that commercial performance has insignificant moderation effects. According to the full model (Model 7 in Table 8), the coefficient of leader-member status gap × commercial performance is negative and insignificant (b=-0.000; p=0.865) and the coefficient of leader-member

status squared × critical performance is positive and marginally significant (b=0.000; p=0.087).

Hypotheses 7a and 7b suggest the moderation effect of critical and commercial performance, respectively, on H2, and none of them generated a significant coefficient. According to the full model (Model 7 in Table 8), the interaction term of leader status distinctiveness and critical performance is negative and insignificant (b=-0.026, p=0.329) and the interaction term of leader status distinctiveness and commercial performance is also negative and insignificant (b=-0.000, p=0.309).

Entrepreneurial Team Formation

Hypotheses 8 and 9 propose the structural similarity in average leader-member status gap and leader status distinctiveness, respectively, between the previous employer and the entrepreneurial organization of the entrepreneur, even after those factors' impacts on the selection (i.e., entrepreneurial decision) are accounted for.

Table 9 reports the descriptive statistics and correlations of the variables used in the estimation of the entrepreneurial team formations. The VIF analyses indicated that none of the VIF scores other than those of year dummies exceed the traditional threshold of 10.

Table 10 reports the results of the estimation of the structural similarity in average leader-member status gap and leader status distinctiveness, respectively. The dependent variable of Model 1 in Table 10 is average leader-member status gap of the entrepreneurial organization, and the dependent variable of Model 2 is leader status

distinctiveness of the entrepreneurial organization. Models 3 and 4 use the audience-based measurement of status as the dependent variable to estimate the structural similarity in terms of leader-member status gap and leader status distinctiveness respectively.

Hypothesis 8 predicts the similarity in average leader-member status gap between the previous employer and the entrepreneurial organization of the entrepreneur. Model 1 in Table 10 suggests that the status gap of the prior employer is a positive predictor of the status gap of the entrepreneurial team (b=0.027, p=0.006). An interpretation of this result is that employee entrepreneurs who are from a band whose average leader-member status gap is 1SD higher than the average are likely to create 121.74% higher average leader-member status gap for the entrepreneurial organization than the average. Model 3 using the audience-based status measure also supports Hypothesis 8. The coefficient of average leader-member status gap of the prior organization is positive and significant (b=0.068, p<0.001). Overall, Hypothesis 8 is empirically supported.

Hypothesis 9 predicts the similarity in leader status distinctiveness between the previous employer and the entrepreneurial organization of the entrepreneur. Model 2 in Table 10 suggests that the status distinctiveness of the prior employer is a positive predictor of the status distinctiveness of the entrepreneurial team (b=0.029, p<0.001). An interpretation of this result is that a 1SD increase in average leader-member status gap in the prior organization is likely to lead a 31.56% increase in leader status distinctiveness for the entrepreneurial organization at the mean. Model 4 using the audience-based status measure also supports Hypothesis 9. The coefficient of average leader-member status gap

of the prior organization is positive and significant (b=0.006, p=0.015). Hence, Hypothesis 9 is empirically supported. Overall, the results suggest the structural attributes affect the entrepreneurial team formation.

CHAPTER 6

CONCLUSION AND DISCUSSION

This study examines how perception of costliness in status quo, in addition to that of resources and capabilities, can drive entrepreneurship. Particularly, the hypotheses focus on inequality perception that can be created by status disparities between the leader and employees: leader-member status gap and leader status distinctiveness that make the member gains less and costs more in the workplace can motivate employee entrepreneurship.

The findings of the empirical analyses of the employee entrepreneurship of jazz musicians are twofold. First, I found that employees who have a marginal status gap with the leader are likely to make an entrepreneurial decision, whereas those who have a large status gap are less likely to do so. This finding suggests that status spillover effects within leader-member dyads might prevail perception of costliness resulting from a large leader-member status gap (Castellucci & Ertug, 2010). However, this does not mean that the perception of costliness resulted from the status disparities is negligible or that the prevailing status spillover effects hold in any cases. Indeed, some of the moderation effects on the relationship between leader-member status gap and entrepreneurial decisions suggest that working for a higher-status leader can become less attractive. The positive and significant interaction term of leader-member status gap and leader status distinctiveness suggests that perceived benefits of a high leader-member status gap (e.g., status spillover effects) can be mitigated when leader status is highly distinctive from the

collective members' status. Likewise, the positive moderation effect of member absolute status suggests that members would be willing to become a leader of their own organization as external social comparison caused by a high status position can weaken perceived benefits of a high leader-member status gap. Overall, the analysis suggests that organizational and individual contingencies may make the disadvantages of the dyadic status disparities more salient, thus engendering entrepreneurial motivation.

Second, this study also suggests that status disparities at the organization level can engender employees' entrepreneurial motivation. The results suggest that employees working in an organization whose leader stands out more (i.e., high leader status distinctiveness) are likely to make an entrepreneurial decision. Also, this effect can be strengthened when the member has a higher status; possibly as external social comparisons may make the disadvantages of the organization-level status disparities (e.g., Matthew effects) more salient.

Third, the results suggest that employee entrepreneurs are more likely to reproduce the status gap and distinctiveness of the prior employer when they formed the entrepreneurial team. This shows status disparities not only motivate entrepreneurial decisions, but also incentivize such entrepreneurs to reproduce the status disparities of the prior organization. Thus, entrepreneurs driven by status disparities seem to utilize the experienced status disparities to take advantage of the hierarchical structure.

It is notable that the moderation effects of organizational performance are not supported in the analyses. Hypotheses 6a, 6b, 7a, and 7b propose that high organizational performance may allow the leader to gain relatively larger social recognition and benefits

and, in turn, strengthen the entrepreneurial motivation of those who presumably perceived higher disadvantages compared with the leader. An explanation of this null finding could be that perceived benefits of status disparities when the organization performance is high may nullify the negative perception. For instance, members who have larger status disparities with the leader may believe that they gained substantial knowledge from the leader when the organizational performance is high, regardless of whether they actually learned from the leader or not.

Contributions

I expect three contributions of this study. First, this study expands the entrepreneurship literature by looking at a different aspect of entrepreneurial decision-making: entrepreneurship to avoid disadvantages in the current workplace rather than to exploit the opportunities outside of the current workplace. I expect that this study complements entrepreneurship research that primarily focuses on opportunity identification and capture (Shane, 2003; Alvarez & Barney, 2010). Based on the established idea that relative deprivation and problems motivates search behaviors (Cyert & March, 1963), this study contends that inequality perception, as one type of durable disadvantage, motivates individuals to transit to entrepreneurship (Sørensen & Sharkey, 2014).

Second, this study shows a novel process of inequality reproduction: equality stays in the organization, but inequality spreads across entrepreneurial organizations. Although inequality reproduction has long been studied in economics and sociology, prior studies mostly pay attention to structural (contextual, environmental, cultural, or top-down) explanations (Marx, 1906; Lippman, Davis & Aldrich, 2005; Padavic, Ely &

Reid, 2019; Amis, Mair & Munir, 2019). This study shows an atomic process of inequality reproduction as a solution to inequality. Also, it contributes to existing research on interorganizational learning by looking at how negative experiences (inequality) can give rise to interorganizational imitation (Marx, 1906).

Third, this study can provide practical implications to the managers of the organization in terms of employee entrepreneurship. Prior studies have suggested that employee entrepreneurs typically become competitors of the prior organization (Ganco, 2013; Campbell et al., 2012: 65; Agarwal, Campbell, Franco & Ganco, 2015). To mitigate this potential competitive threat, managers may need to be more attentive to employees' perception of inequality or disparities with the managers in the organization.

Finally, this study suggests policy implications about how to discourage unhealthy entrepreneurship. It is widely known that entrepreneurial transition has a high failure rate, and it could be socially desirable to discourage myopic and unprepared entrepreneurship in society. In this regard, this study suggests that workplace inequality can be a driver of risky entrepreneurial transition, and furthermore, such entrepreneurship could be unhealthy because inequality could be reproduced in the entrepreneurial organizations. As the findings of this study suggest, legislators and policymakers may consider programs to address workplace inequality and educate potential entrepreneurs to avoid social costs of unhealthy entrepreneurship.

Limitations and Future Research

I acknowledge that a couple of boundary conditions of this study could be a limitation. First, it only considers entrepreneurs who have prior experiences in the industry. This is

primarily because the main construct of the present study, that is, inequality perception in the previous organization, requires prior career history. Although the literature suggests that entrepreneurs typically have prior industry experiences (Dobrev & Barnett, 2005; Kacperczyk & Marx, 2016), this boundary condition may limit the present study. Second, this study examines entrepreneurial actions within the industry, although they are not the only cases in the real world. Theoretically, status accumulated in one industry is less transferable in another industry, so I expect that the theorized inequality-driven entrepreneurship is more likely within the industry. Empirically, I do not have data access to track whether an individual became an entrepreneur in another industry. Taken together, these boundary conditions may constrain the present study to show only partial explanations of entrepreneurship. Future studies may strive to show complete explanations by examining how general types of inequality (which does not require prior career history) affect entrepreneurship in multiple industries.

Because of data inaccessibility, the empirical analyses of the present study do not test whether the psychological attributes of individuals actually mediate the proposed relationships between the status disparities and entrepreneurial decisions. Research has accumulated ample evidence showing that individuals with certain psychological characteristics (e.g., self-efficacy, risk propensity) are more likely to be entrepreneurs (Cassar & Friedman, 2009; Mullins & Forlani, 2005). Future studies could examine whether and how status disparities discussed in this study affect employees' actual perception of disadvantages and limitations to improve their social standing and whether such perception in turn, motivate an entrepreneurial decision of the employees.

Contextual generalizability could be another concern for this study. The jazz industry is characterized by frequent collaboration between musicians and membership to multiple organizations, which is not common in some industries. Other industries that do not have such characteristics may have lower entrepreneurial rates because organizing would be harder. Researchers may find weaker effects of inequality perception in those industries because of the low baseline entrepreneurial rate. Future studies may want to examine how those theorized effects vary in different contexts.

Finally, this study may provide a novel explanation of why certain employee entrepreneurs are competing more with the prior organizations. If the negative perception in the prior organization motivated entrepreneurial decisions as predicted in this study, such employee entrepreneurs could be motivated to compete more aggressively with the prior organization compared to entrepreneurs who have positive perception of the prior employer. Future studies may examine how different entrepreneurial motives could explain competition between employee entrepreneurs and the prior organization based on the findings.

REFERENCES

Adams, J. S. (1963). Wage inequities, productivity and work quality. *Industrial Relations: A Journal of Economy and Society, 3(1),* 9–16.

Aggarwal, R. K., & Samwick, A. A. (1999). Executive compensation, strategic competition, and relative performance evaluation: Theory and evidence. *The Journal of Finance, 54(6),* 1999–2043.

Ahuja, G. (2000). Collaboration networks, structural holes, and innovation: A longitudinal study. *Administrative Science Quarterly, 45(3),* 425–455.

Aldrich, H. E., & Waldinger, R. (1990). Ethnicity and entrepreneurship. *Annual Review of Sociology, 16(1),* 111–135.

Alkyer, F., Enright, E., Koransky, J., Cohen, A., & Cagle, J. (Eds.) (2009). *Downbeat, the great jazz interviews: A 75th anniversary anthology*. Milwaukee, WI: Hal Leonard Books.

Allison, P. D. (1982). Discrete-time methods for the analysis of event histories. *Sociological Methodology, 13,* 61–98.

Alvarez, S. A., & Barney, J. B. (2005). How do entrepreneurs organize firms under conditions of uncertainty? *Journal of Management, 31(5),* 776–793.

Alvarez, S. A., & Barney, J. B. (2010). Entrepreneurship and epistemology: The philosophical underpinnings of the study of entrepreneurial opportunities. *Academy of Management Annals, 4(1),* 557–583.

Amis, J. M., Mair, J., & Munir, K. A. (2019). The organizational reproduction of inequality. *Academy of Management Annals, 14(1),* 195–230.

Aquino, K., Griffeth, R. W., Allen, D. G., & Hom, P. W. (1997). Integrating justice constructs into the turnover process: A Test of a referent cognitions model. *Academy of Management Journal, 40(5),* 1208–1227.

Arin, K. P., Huang, V. Z., Minniti, M., Nandialath, A. M., & Reich, O. F. M. (2014). Revisiting the determinants of entrepreneurship: A bayesian approach. *Journal of Management, 41(2),* 607–631.

Audia, P. G., & Greve, H. R. (2006). Less likely to fail: Low performance, firm size, and factory expansion in the shipbuilding industry. *Management Science, 52(1),* 83–94.

Avent-Holt, D., & Tomaskovic-Devey, D. (2010). The relational basis of inequality: Generic and contingent wage distribution processes. *Work and Occupations, 37(2),* 162–193.

Baer, M. D., Bundy, J., Garud, N., & Kim, J. K. (2018). The benefits and burdens of organizational reputation for employee well-being: A conservation of resources approach. *Personnel Psychology, 71(4),* 571–595.

Bapuji, H., & Mishra, S. (2015). Inequality and organizations. In R. Mir, H. Willmott, & M. Greenwood (Eds.), *Companion to philosophy in organization studies*: 439–448. New York, NY: Routledge.

Baron, J. N., & Pfeffer, J. (1994). The social psychology of organizations and inequality. *Social Psychology Quarterly*, *57(3)*, 190–209.

Barron, J. (1987). Buddy Rich, jazz drummer with distinctive sound, dies. *The New York Times*, April 3 1987, 5.

Beckman, C. M., & Burton, M. D. (2008). Founding the future: Path dependence in the evolution of top management teams from founding to IPO. *Organization Science*, *19(1)*, 3–24.

Benjamin, B. A., & Podolny, J. M. (1999). Status, quality, and social order in the California wine industry. *Administrative Science Quarterly*, *44(3)*, 563–589.

Berliner, P. F. (1994). *Thinking in jazz: The infinite art of improvisation*. Chicago, IL: University of Chicago Press.

Blader, S. L., & Chen, Y.-R. (2010). What influences how higher-status people respond to lower-status others? Effects of procedural fairness, outcome favorability, and concerns about status. *Organization Science*, *22(4)*, 1040–1060.

Blau, P. M. (1977). A macrosociological theory of social structure. *American Journal of Sociology*, *83(1)*, 26–54.

Bonacich, P. (1987). Power and centrality: A family of measures. *American Journal of Sociology*, *92(5)*, 1170–1182.

Boudon, R. (1974). *Education, opportunity, and social inequality: Changing prospects in Western society*. New York, NY: Wiley-Interscience.

Breiger, R. L. (1995). Social structure and the phenomenology of attainment. *Annual Review of Sociology*, *21(1)*, 115–136.

Brothers, T. (2018). *Help! The Beatles, Duke Ellington, and the magic of collaboration.* New York, NY: W. W. Norton & Co.

Bunderson, J. S., & Reagans, R. E. (2011). Power, status, and learning in organizations. *Organization Science*, *22(5)*, 1182–1194.

Bunderson, J. S., van der Vegt, G. S., Cantimur, Y., & Rink, F. (2015). Different views of hierarchy and why they matter: Hierarchy as inequality or as cascading influence. *Academy of Management Journal*, *59(4)*, 1265–1289.

Burt, R. S. (1992). *Structural holes: The social structure of competition.* Cambridge, MA: Harvard University Press.

Burt, R. S. (2004). Structural holes and good ideas. *American Journal of Sociology*, *110(2)*, 349–399.

Callan, M. J., Shead, N. W., & Olson, J. M. (2011). Personal relative deprivation, delay discounting, and gambling. *Journal of Personality and Social Psychology*, *101(5)*, 955–973.

Campbell, B. A., Ganco, M., Franco, A. M., & Agarwal, R. (2012). Who leaves, where to, and why worry? employee mobility, entrepreneurship and effects on source firm performance. *Strategic Management Journal*, *33(1)*, 65–87.

Canette, I. (2016). Discrete-time survival analysis with Stata. *2016 Stata Users Group Meeting Barcelona*. Retrieved from https://www.stata.com/meeting/spain16/slides/canette-spain16.pdf

Cardon, M. S., Wincent, J., Singh, J., & Drnovsek, M. (2009). The nature and experience of entrepreneurial passion. *Academy of Management Review*, *34(3)*, 511–532.

Carnahan, S., Agarwal, R., & Campbell, B. A. (2012). Heterogeneity in turnover: The effect of relative compensation dispersion of firms on the mobility and entrepreneurship of extreme performers. *Strategic Management Journal*, *33(12)*, 1411–1430.

Carroll, G. R., & Swaminathan, A. (2000). Why the microbrewery movement? Organizational dynamics of resource partitioning in the U.S. brewing industry. *American Journal of Sociology*, *106(3)*, 715–762.

Castellucci, F., & Ertug, G. (2010). What's in it for them? Advantages of higher-status partners in exchange relationships. *Academy of Management Journal*, *53(1)*, 149–166.

Certo, S. T., & Miller, T. (2008). Social entrepreneurship: Key issues and concepts. *Business Horizons*, *51(4)*, 267–271.

Chamberlin, M., Newton, D. W., & LePine, J. A. (2016). A meta-analysis of voice and its promotive and prohibitive forms: Identification of key associations, distinctions, and future research directions. *Personnel Psychology*, *70*, 11–71.

Chang, H.-J. (2002). *Kicking away the ladder: Development strategy in historical perspective*. London, UK: Anthem Press.

Chatterjee, A., & Hambrick, D. C. (2007). It's all about me: Narcissistic chief executive officers and their effects on company strategy and performance. *Administrative Science Quarterly*, *52(3)*, 351–386.

Chen, M.-J. (1996). Competitor analysis and interfirm rivalry: Toward a theoretical integration. *Academy of Management Review*, *21(1)*, 100–134.

Chung, S., Singh, H., & Lee, K. (2000). Complementarity, status similarity and social capital as drivers of alliance formation. *Strategic Management Journal*, *21(1)*, 1–22.

Cohen, G. A. (1995). *Self-ownership, freedom, and equality*. Cambridge, UK: Cambridge University Press.

Cole, G. (2007). *The last Miles: The music of Miles Davis, 1980-1991*. Ann Arbor, MI: University of Michigan Press.

Corner, P. D., & Ho, M. (2010). How opportunities develop in social entrepreneurship. *Entrepreneurship Theory and Practice*, *34(4)*, 635–659.

Cowen, A. P. (2012). An expanded model of status dynamics: The effects of status transfer and interfirm coordination. *Academy of Management Journal*, *55(5)*, 1169–1186.

Crosby, F. (1976). A model of egoistical relative deprivation. *Psychological Review*, *83(2)*, 85–113.

Cyert, R. M., & March, J. G. (1963). *A Behavioral Theory of the Firm*. Englewood Cliffs, NJ: Prentice-Hall.

Daileyl, R. C., & Kirk, D. J. (1992). Distributive and procedural justice as antecedents of job dissatisfaction and intent to turnover. *Human Relations, 45(3),* 305–317.

Deephouse, D. L., & Suchman, M. (2008). Legitimacy in organizational institutionalism. In R. Greenwood, C. Oliver, K. Sahlin, & R. Suddaby (Eds.), *The Sage handbook of organizational institutionalism*: 49–77. Thousand Oaks, CA: Sage.

DiMaggio, P. J., & Powell, W. W. (1983). The iron cage revisited: Institutional isomorphism and collective rationality in organizational fields. *American Sociological Review, 48(2),* 147–160.

Dixit, A. K., & Nalebuff, B. J. (1993). *Thinking strategically: The competitive edge in business, politics, and everyday life*. New York, NY: W. W. Norton & Co.

Dobrev, S. D., & Barnett, W. P. (2005). Organizational roles and transition to entrepreneurship. *Academy of Management Journal, 48(3),* 433–449.

Downbeat, (1943). McKinley band joins marines. 1943. *Downbeat, 10(1),* 1.

Edwards, J. R. (1994). The study of congruence in organizational behavior research: Critique and a proposed alternative. *Organizational Behavior and Human Decision Processes, 58(1),* 51–100.

Erdogan, B., & Bauer, T. N. (2010). Differentiated leader–member exchanges: The buffering role of justice climate. *Journal of Applied Psychology, 95(6),* 1104–1120.

Erikson, T. (2002). Entrepreneurial capital: The emerging venture's most important asset and competitive advantage. *Journal of Business Venturing, 17(3),* 275–290.

Erikson, R., & Goldthorpe, J. H. (2002). Intergenerational inequality: A sociological perspective. *Journal of Economic Perspectives, 16(3),* 31–44.

Faulkner, R. R. (1983). *Music on demand: Composers and careers in the Hollywood film industry*. New Brunswick: Transaction Books.

Faulkner, R. R., & Becker, H. S. (2009). *Do you know...?: The jazz repertoire in action*. Chicago, IL: University of Chicago Press.

Frank, R. H. (1985). *Choosing the right pond: Human behavior and the quest for status*. Oxford, UK: Oxford University Press.

Gage, D. (2012). The Venture Capital Secret: 3 Out of 4 Start-Ups Fail. *Wall Street Journal*. September 20, New York, N.Y.

Gibson, D. E., & Callister, R. R. (2010). Anger in organizations: Review and integration. *Journal of Management, 36(1),* 66–93.

Gleason, T. (2016). *Conversations in jazz: The Ralph J. Gleason interviews*. New Haven, CT: Yale University Press.

Gómez-Mejia, L., & Wiseman, R. M. (1997). Reframing executive compensation: An assessment and outlook. *Journal of Management, 23(3),* 291–374.

Goodman, P. S., & Friedman, A. (1971). An examination of Adams' Theory of Inequity. *Administrative Science Quarterly*, *16*, 271–288.

Gould, R. V. (2003). *Collision of Wills: How Ambiguity about Social Rank Breeds Conflict*. University of Chicago Press.

Green, D. I. (1894). Pain-cost and opportunity-cost. *The Quarterly Journal of Economics*, *8(2)*, 218–229.

Greve, H. R. (1998). Performance, aspirations, and risky organizational change. *Administrative Science Quarterly*, *43(1)*, 58–86.

Greve, H. R. (2003). *Organizational learning from performance feedback: A behavioral perspective on innovation and change*. Cambridge University Press.

Grossman, S. J., & Hart, O. D. (1986). The costs and benefits of ownership: A theory of vertical and lateral integration. *Journal of Political Economy*, *94(4)*, 691–719.

Gustafson, A. (2019). Did academia kill jazz? *The Conversation*. Retrieved from https://theconversation.com/did-academia-kill-jazz-110485.

Haans, R. F. J., Pieters, C., & He, Z.-L. (2015). Thinking about U: Theorizing and testing U- and inverted U-shaped relationships in strategy research. *Strategic Management Journal*, *37*(7), 1177–1195.

Hajdu, D. (1997). *Lush life: A biography of Billy Strayhorn*. New York, NY: North Point Press.

Hallen, B. L. (2008). The causes and consequences of the initial network positions of new organizations: From whom do entrepreneurs receive investments? *Administrative Science Quarterly*, *53(4)*, 685–718.

Hambrick, D. C., & Mason, P. A. (1984). Upper echelons: The organization as a reflection of its top managers. *Academy of Management Review*, *9(2)*, 193–206.

He, J., & Huang, Z. (2011). Board informal hierarchy and firm financial performance: Exploring a tacit structure guiding boardroom interactions. *Academy of Management Journal*, *54(6)*, 1119–1139.

Hirsch, F. (1976). *Social limits to growth*. Cambridge, MA: Harvard University Press.

Hirschman, A. O. (1970). *Exit, voice, and loyalty: Responses to decline in firms, organizations, and states*. Cambridge, MA: Harvard University Press.

Huang, Z., & Washington, M. (2015). Assimilation or contrast? Status inequality, judgment of product quality, and product choices in markets. *Organization Science*, *26(6)*, 1752–1768.

Jeon, C., & Chae, H. Working Paper. Social attribution of collaborative outcomes: A study of status dynamics in jazz music industry 1950-2004.

Jensen, M. C., & Meckling, W. H. (1976). Theory of the firm: Managerial behavior, agency costs and ownership structure. *Journal of Financial Economics*, *3(4)*, 305–360.

Jensen, M. C., & Murphy, K. J. (1990). Performance pay and top-management incentives. *Journal of Political Economy, 98(2),* 225–264.

Kacperczyk, A. J. (2012). Social influence and entrepreneurship: The effect of university peers on entrepreneurial entry. *Organization Science, 24(3),* 664–683.

Kacperczyk, A. J., Beckman, C. M., & Moliterno, T. P. (2015). Disentangling risk and change: Internal and external social comparison in the mutual fund Industry. *Administrative Science Quarterly, 60(2),* 228–262.

Kacperczyk, A., & Marx, M. (2016). Revisiting the small-firm effect on entrepreneurship: Evidence from firm dissolutions. *Organization Science, 27(4),* 893–910.

Kacperczyk, A., & Younkin, P. (2017). The paradox of breadth: The tension between experience and legitimacy in the transition to entrepreneurship. *Administrative Science Quarterly, 62(4),* 731–764.

Kacperczyk, A., & Balachandran, C. (2018). Vertical and horizontal wage dispersion and mobility outcomes: Evidence from the Swedish microdata. *Organization Science, 29(1),* 17–38.

Kelley, H. H., & Michela, J. L. (1980). Attribution theory and research. *Annual Review of Psychology, 31(1),* 457–501.

Kim, J.-Y., Finkelstein, S., & Haleblian, J. (2014). All aspirations are not created equal: The differential effects of historical and social aspirations on acquisition behavior. *Academy of Management Journal, 58(5),* 1361–1388.

Kirzner, I. M. (1997). Entrepreneurial discovery and the competitive market process: An Austrian approach. *Journal of Economic Literature, 35(1),* 60–85.

Kovács, B., & Sharkey, A. J. (2014). The paradox of publicity: How awards can negatively affect the evaluation of quality. *Administrative Science Quarterly, 59(1),* 1–33.

Kremp, P.-A. (2010). Innovation and selection: Symphony orchestras and the construction of the musical canon in the United States (1879-1959). *Social Forces, 88(3),* 1051–1082.

Lamont, M., & Molnár, V. (2002). The study of boundaries in the social sciences. *Annual Review of Sociology, 28(1),* 167–195.

Lee, J.-H., & Venkataraman, S. (2006). Aspirations, market offerings, and the pursuit of entrepreneurial opportunities. *Journal of Business Venturing, 21(1),* 107–123.

Levin, M. (1942). All recording stops today: Disc firms sit back, public's next move. *Downbeat, 9(15),* 1.

Lewellyn, K. B. (2017). Income inequality, entrepreneurial activity, and national business systems: A configurational analysis. *Business & Society, 57(6),* 1114–1149.

Lind, L. T., & Mehlum, H. (2010). With or without U? The appropriate test for a U-shaped relationship. *Oxford Bulletin of Economics and Statistics, 72(1).* 109–118.

Lippmann, S., Davis, A., & Aldrich, H. E. (2005). Entrepreneurship and inequality. In D. Amy & L. A. Keister (Eds.), *Entrepreneurship*, vol. 15: 3–31. Emerald Group Publishing Limited.

Loi, R., Yang, J., & Diefendorff, J. M. (2009). Four-factor justice and daily job satisfaction: A multilevel investigation. *Journal of Applied Psychology, 94(3),* 770–781.

Magee, J. C., & Galinsky, A. D. (2008). Social hierarchy: The self-reinforcing nature of power and status. *Academy of Management Annals, 2(1),* 351–398.

Mair, J., Wolf, M., & Seelos, C. (2016). Scaffolding: A process of transforming patterns of inequality in small-scale societies. *Academy of Management Journal, 59(6),* 2021–2044.

March, J. G., & Simon, H. A. (1958). *Organizations*. New York: Wiley.

Martin, H., & Waters, K. (2019). *Jazz: The first 100 years* (3rd ed.). Boston, MA: Cengage Learning.

Marx, K. (1852[1999]). *The Eighteenth Brumaire of Louis Bonaparte*. Marx/Engels Internet Archive. marxists.org.

Marx, K. (1906). *Capital: A critique of political economy*. Chicago: Charles H. Kerr & Company.

Meindl, J. R., Ehrlich, S. B., & Dukerich, J. M. (1985). The romance of leadership. *Administrative Science Quarterly, 30(1),* 78–102.

Meindl, J. R. (1995). The romance of leadership as a follower-centric theory: A social constructionist approach. *The Leadership Quarterly, 6(3),* 329–341.

Merton, R. K. (1968). The Matthew effect in science. *Science, 159,* 56–63.

Mishel, L., & Wolfe, J. (2019). CEO compensation has grown 940% since 1978. *Economic Policy Institute Report.* Washington, DC.

Mishina, Y., Dykes, B. J., Block, E. S., & Pollock, T. G. (2010). Why "good" firms do bad things: The effects of high aspirations, high expectations, and prominence on the incidence of corporate illegality. *Academy of Management Journal, 53(4),* 701–722.

Moorman, R. H. (1991). Relationship between organizational justice and organizational citizenship behaviors: Do fairness perceptions influence employee citizenship? *Journal of Applied Psychology, 76(6),* 845–855.

Mullins, J. W., & Forlani, D. (2005). Missing the boat or sinking the boat: a study of new venture decision making. *Journal of Business Venturing, 20(1),* 47–69.

Murphy, R. (1986). Weberian closure theory: A contribution to the ongoing assessment. *The British Journal of Sociology, 37(1),* 21–41.

Navis, C., & Glynn, M. A. (2011). Legitimate distinctiveness and the entrepreneurial identity: Influence on investor judgments of new venture plausibility. *Academy of Management Review, 36(3),* 479–499.

Nikiforou, A., Dencker, J. C., & Gruber, M. (2019). Necessity entrepreneurship and industry choice in new firm creation. *Strategic Management Journal, 40(13),* 2165–2190.

NPR. (2015). Christian McBride On Ray Brown's Bass And James Brown's Appeal. 2015, November 18. *All Things Considered.* Retrieved from https://www.npr.org/2015/11/18/456540205/christian-mcbride-on-ray-browns-bass-and-james-browns-appeal

OECD. (2019). *OECD Data: Self-employment rate*. Retrieved from https://data.oecd.org/emp/self-employment-rate.htm.

Oxley, J. E. (1997). Appropriability hazards and governance in strategic alliances: A transaction cost approach. *The Journal of Law, Economics, and Organization, 13(2),* 387–409.

Padavic, I., Ely, R. J., & Reid, E. M. (2019). Explaining the persistence of gender inequality: The work–family narrative as a social defense against the 24/7 work culture. *Administrative Science Quarterly, 65(1),* 61–111.

Pahnke, E. C., McDonald, R., Wang, D., & Hallen, B. (2014). Exposed: Venture capital, competitor ties, and entrepreneurial innovation. *Academy of Management Journal, 58(5),* 1334–1360.

Palmer, D., & Barber, B. M. (2001). Challengers, elites, and owning families: A social class theory of corporate acquisitions in the 1960s. *Administrative Science Quarterly, 46(1),* 87–120.

Park, D. Y., & Podolny, J. M. (2000). The competitive dynamics of status and niche width: US investment banking 1920-1949. *Industrial and Corporate Change, 9(3),* 377–414.

Park, J., Celma, O., Koppenberger, M., Cano, P., & Buldú, J. M. (2007). The social network of contemporary popular musicians. *International Journal of Bifurcation and Chaos, 17(7),* 2281–2288.

Park, S. H., & Westphal, J. D. (2013). Social discrimination in the corporate elite: How status affects the propensity for minority CEOs to receive blame for low firm performance. *Administrative Science Quarterly, 58(4),* 542–586.

Parker, O., Krause, R., & Devers, C. E. (2018). How firm reputation shapes managerial discretion. *Academy of Management Review, 44(2),* 254–278.

Payne, B. K. (2017). *The broken ladder: How inequality affects the way we think, live and die*. New York, NY: Penguin Books.

Payne, B. K., Brown-Iannuzzi, J. L., & Hannay, J. W. (2017). Economic inequality increases risk taking. *Proceedings of the National Academy of Sciences, 114(18),* 4643–4648.

Pfeffer, J. (1983). Organizational demography. In L. Cummings (Ed.), *Research in Organizational Behavior,* Vol 5.: 299–357. Greenwich, CT: JAI Press.

Piketty, T. (2014). *Capital in the twenty-first century*. Cambridge, MA: Belknap Press.

Phillips, D. J. (2005). Organizational genealogies and the persistence of gender inequality: The case of Silicon Valley law firms. *Administrative Science Quarterly, 50(3),* 440–472.

Podolny, J. M. (1993). A status-based model of market competition. *American Journal of Sociology, 98(4),* 829–872.

Podolny, J. M. (1994). Market uncertainty and the social character of economic exchange. *Administrative Science Quarterly, 39(3),* 458–483.

Podolny, J. M. (2005). *Status signals*. Princeton, NJ: Princeton University Press.

Podolny, J. M., & Phillips, D. J. (1996). The dynamics of organizational status. *Industrial and Corporate Change, 5(2),* 453–471.

Porac, J. F., Wade, J. B., & Pollock, T. G. (1999). Industry categories and the politics of the comparable firm in CEO compensation. *Administrative Science Quarterly, 44(1),* 112–144.

Prato, M., Kypraios, E., Ertug, G., & Lee, Y. G. (2018). Middle-status conformity revisited: The interplay between achieved and ascribed status. *Academy of Management Journal, 62(4),* 1003–1027.

Rao, H., Monin, P., & Durand, R. (2003). Institutional change in Toque Ville: Nouvelle Cuisine as an identity movement in French gastronomy. *American Journal of Sociology, 108(4),* 795–843.

Reschke, B. P., Azoulay, P., & Stuart, T. E. (2017). Status spillovers: The effect of status-conferring prizes on the allocation of attention. *Administrative Science Quarterly, 63(4),* 819–847.

Reynolds, P. D., Bygrave, W. D., Autio, E., & Hay, M. (2002). *GEM global 2002 summary report*. Arthur M. Blank Center for Entrepreneurship, Babson College, Babson Park, MA: Global Entrepreneurship Monitor.

Ridgeway, C. L., & Correll, S. J. (2006). Consensus and the creation of status beliefs. *Social Forces, 85(1),* 431–453.

Roemer, J. E. (2013). *A general theory of exploitation and class.* Cambridge (MA): Harvard University Press.

Rossman, G., Esparza, N., & Bonacich, P. (2010). I'd like to thank the Academy, team spillovers, and network Centrality. *American Sociological Review, 75(1),* 31–51.

Runciman, W. G. (1966). *Relative deprivation and social justice: A study of attitudes to social inequality in twentieth–century England*. Berkeley, CA: University of California Press.

Saebi, T., Foss, N. J., & Linder, S. (2018). Social entrepreneurship research: Past achievements and future promises. *Journal of Management, 45(1),* 70–95.

Saxenian, A. (1996). *Regional advantage: Culture and competition in Silicon Valley and Route 128*. Cambridge, MA: Harvard University Press.

Schumpeter, J. (1934). *The theory of economic development: An inquiry into profits, capital, credit, interest, and the business cycle*. Cambridge, MA: Harvard University Press.

Schumpeter, J. (1942). *Capitalism, socialism, and democracy*. New York, NY: Harper & Brothers.

Shane, S. (2003). *A general theory of entrepreneurship: The individual-opportunity nexus*. Cheltenham, UK: Edward Elgar.

Shane, S., & Khurana, R. (2003). Bringing individuals back in: The effects of career experience on new firm founding. *Industrial and Corporate Change*, *12(3)*, 519–543.

Shelby, T. (2002). Parasites, pimps, and capitalists: A naturalistic conception of exploitation. *Social Theory and Practice*, *28(3)*, 381–418.

Shepherd, D. A., Williams, T. A., & Patzelt, H. (2015). Thinking about entrepreneurial decision making: Review and research agenda. *Journal of Management*, *41(1)*, 11–46.

Shepherd, D. A., Wennberg, K., Suddaby, R., & Wiklund, J. (2018). What are we explaining? A review and agenda on initiating, engaging, performing, and contextualizing entrepreneurship. *Journal of Management*, *45(1)*, 159–196.

Short, J. C., Ketchen, D. J., Shook, C. L., & Ireland, R. D. (2009). The Concept of "Opportunity" in Entrepreneurship Research: Past Accomplishments and Future Challenges. *Journal of Management*, *36(1)*, 40–65.

Sine, W. D., Shane, S., & Di Gregorio, D. (2003). The halo effect and technology licensing: The influence of institutional prestige on the licensing of university inventions. *Management Science*, *49(4)*, 478–496.

Singh, J. V, Tucker, D. J., & House, R. J. (1986). Organizational legitimacy and the liability of newness. *Administrative Science Quarterly*, *31(2)*, 171–193.

Sorenson, O., & Audia, P. G. (2000). The social structure of entrepreneurial activity: Geographic concentration of footwear production in the United States, 1940–1989. *American Journal of Sociology*, *106(2)*, 424–462.

Sørensen, A. B. (1977). The structure of inequality and the process of attainment. *American Sociological Review*, *42(6)*, 965–978.

Sørensen, J. B. (2007). Bureaucracy and Entrepreneurship: Workplace Effects on Entrepreneurial Entry. *Administrative Science Quarterly*, *52(3)*, 387–412.

Sørensen, J. B., & Sharkey, A. J. (2014). Entrepreneurship as a mobility process. *American Sociological Review*, *79(2)*, 328–349.

Stuart, T. E., Hoang, H., & Hybels, R. C. (1999). Interorganizational endorsements and the performance of entrepreneurial ventures. *Administrative Science Quarterly*, *44(2)*, 315–349.

Stuart, T. E., & Sorenson, O. (2007). Strategic networks and entrepreneurial ventures. *Strategic Entrepreneurship Journal*, *1(3-4)*, 211–227.

Teachout, T. (2013). *Duke: A life of Duke Ellington*. London, UK: Penguin Books.

Terjesen, S., Hessels, J., & Li, D. (2013). Comparative international entrepreneurship: A review and research agenda. *Journal of Management, 42(1),* 299–344.

Thébaud, S. (2015). Status beliefs and the spirit of capitalism: Accounting for gender biases in entrepreneurship and innovation. *Social Forces, 94(1),* 61–86.

Tilly, C. (1998). *Durable inequality*. Berkeley, CA: University of California Press.

Tomaskovic-Devey, D., Zimmer, C., Stainback, K., Robinson, C., Taylor, T., et al. (2006). Documenting desegregation: Segregation in American workplaces by race, ethnicity, and sex, 1966–2003. *American Sociological Review, 71(4),* 565–588.

Tomaskovic-Devey, D., & Avent-Holt, D. (2019). *Relational inequalities: An organizational approach*. New York, NY: Oxford University Press.

Tyler, D. (2016). *Music of the First World War*. Santa Barbara, CA: Greenwood.

Useem, M. (1979). The social organization of the American business elite and participation of corporation directors in the governance of American institutions. *American Sociological Review, 44(4),* 553–572.

Weber, M. (1978). *Economy and society*. (G. Roth & C. Wittich, Eds.). Berkeley, CA: University of California Press.

Williamson, O. E. (1975). *Markets and hierarchies: Analysis and antitrust implications*. New York, NY: Free Press.

Withey, M. J., & Copper, W. H. (1989). Predicting exit, voice, loyalty, and neglect. *Administrative Science Quarterly, 34(4),* 521–539.

Yang, T., & Aldrich, H. E. (2014). Who's the boss? Explaining gender inequality in entrepreneurial teams. *American Sociological Review, 79(2),* 303–327.

Zuckerman, E. W. (1999). The categorical imperative: Securities analysts and the illegitimacy discount. *American Journal of Sociology, 104(5),* 1398–1438.

APPENDIX A

TABLES

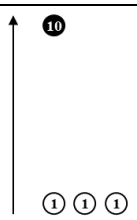
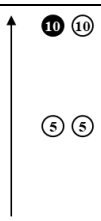
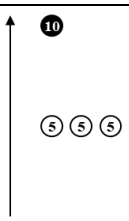
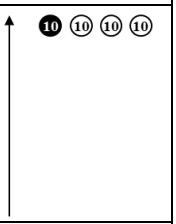
Table 1

Definitions of Inequality

Source	**Definition**	**Type**
Blau, 1977	"Inequality pertains to the population distribution in terms of a graduated parameter. The criterion of degree of inequality is the average difference in status between any two pairs relative to average status. (31)"	Outcome
Baron & Pfeffer, 1994	"[O]rganizations affect inequality by influencing how jobs are defined, how rewards are attached to positions, how people are matched to these jobs, and how workers determine whether they have been treated fairly (192)"	Mechanism
Tilly, 1998	"[D]urable inequality among categories arise because people who control access to value-producing resources solve pressing organizational problems by means of categorical distinction (7-8)."	Mechanism
Bapuji & Mishra, 2015	"Economic inequality describes disparity that is a consequence of the monetary value attached to the possessions and contributions of individuals in organizations and societies. (441)"	Mechanism
Payne, Brown-Iannuzzi & Hannay, 2017	"[W]e use the term inequality to describe the variance in an income distribution (4643)"	Outcome
Mair, Wolf & Seelos, 2016	"It manifests in unequal access to opportunities and rewards for different social positions or statuses within a group or society, and it is rooted in socially constructed categories (such as gender, caste, or class) that determine boundaries for inclusion and exclusion and demarcate positions of power and privilege. (2021)"	Mechanism

Table 2

Conceptualizations and Measurements of Distinctiveness and Inequality *

	Case 1	**Case 2**	**Case 3**	**Case 4**	**Case 5**
Status hierarchy					
How much a leader and members are dispersed (Gini coefficient)	0.52	0.31	0.17	0.15	0
How much a leader constitutes (Portion of leader status)	0.77	0.4	0.33	0.4	0.25
How high a member can attain (Maximum member status)	1	9	10	5	10
How much a leader is distinctive from members (Leader status distinctiveness)	3.90	1.17	0.52	2.17	0

* Black dots represent a leader and white dots represent members. Numbers in dots represent status level.

Table 3

Descriptive Statistics and Correlation Table (Entrepreneurial Decisions)

Variables	Mean	S.D.	Min	Max	(1)	(2)	(3)	(4)	(5)	(6)	(7)
1. Entrepreneurial decision	0.14	0.34	0.00	1.00							
2. Status gap	0.00	1.00	-21.1	11.09	-0.02						
3. Status distinctiveness	0.00	1.00	-0.36	19.59	-0.07	0.00					
4. Member status	0.00	1.00	-17.39	15.20	-0.08	0.00	0.00				
5. Critical performance	0.10	0.42	0.00	11.00	-0.05	-0.18	0.19	0.26			
6. Commercial performance	1.12	17.46	0.00	1775.00	-0.01	-0.01	0.08	0.05	0.07		
7. Structural hole	0.01	0.07	0.00	1.13	-0.02	0.00	0.03	-0.04	0.00	0.00	
8. Repertoire newness	0.22	0.31	0.00	1.00	-0.13	-0.06	0.22	0.11	0.15	0.05	0.15
9. Role: Wind instrument	0.22	0.42	0.00	1.00	-0.1	0.01	0.03	0.03	0.00	0.01	0.00
10. Role: Violin-family instrument	0.05	0.22	0.00	1.00	-0.08	0.02	0.01	0.09	-0.01	0.01	-0.01
11. Role: Vocal	0.08	0.28	0.00	1.00	-0.04	0.03	-0.02	-0.02	-0.05	-0.01	-0.01
12. Role: Keyboard instrument	0.09	0.29	0.00	1.00	0.01	0.01	0.01	-0.02	-0.02	-0.01	0.02
13. Role: Guitar	0.07	0.25	0.00	1.00	-0.01	0.00	-0.01	-0.01	-0.02	-0.01	0.01
14. Role: Bass	0.11	0.31	0.00	1.00	-0.10	-0.03	0.04	0.00	0.07	0.01	0.02
15. Role: Drums and percussions	0.15	0.36	0.00	1.00	-0.12	-0.03	0.04	0.01	0.07	0.01	0.02
16. Sub-genre popularity	77.12	91.15	0.00	357.00	-0.11	-0.05	0.12	0.08	0.12	0.01	0.02

Variables	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
9. Role: Wind instrument	0.05							
10. Role: Violin-family instrument	0.00	-0.12						
11. Role: Vocal	-0.04	-0.16	-0.07					
12. Role: Keyboard instrument	0.01	-0.17	-0.07	-0.10				
13. Role: Guitar	0.01	-0.14	-0.06	-0.08	-0.09			
14. Role: Bass	0.06	-0.19	-0.08	-0.11	-0.11	-0.09		
15. Role: Drums and percussions	0.09	-0.22	-0.10	-0.13	-0.14	-0.11	-0.15	
16. Sub-genre popularity	0.14	0.02	-0.01	-0.02	0.03	0.00	0.05	0.05

N=144,141

Table 4

Cox Model of Entrepreneurial Decisions

Variables	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7
Status gap **(H1a/b)**	-0.166*** (0.014)	-0.272*** (0.016)	-0.313*** (0.019)	-0.310*** (0.017)	-0.286*** (0.017)	-0.272*** (0.016)	-0.352*** (0.021)
Status gap squared **(H1c)**		-0.033*** (0.006)	-0.047*** (0.007)	-0.034*** (0.006)	-0.032*** (0.006)	-0.033*** (0.006)	-0.061*** (0.007)
Status distinctiveness **(H2)**	0.022^{+} (0.013)	0.094*** (0.013)	0.109*** (0.013)	0.137*** (0.016)	0.093*** (0.013)	0.093*** (0.013)	0.141*** (0.016)
Status gap × Status distinctiveness			0.021** (0.007)				0.015* (0.007)
Status gap squared × Status distinctiveness **(H3)**			0.003*** (0.001)				0.005*** (0.001)
Member status	0.051** (0.016)	0.095*** (0.016)	0.109*** (0.015)	0.104*** (0.020)	0.100*** (0.015)	0.095*** (0.016)	0.103*** (0.018)
Status gap × Member status				0.022*** (0.006)			0.026*** (0.005)
Status gap squared × Member status **(H4)**				-0.001 (0.001)			0.002*** (0.001)
Status distinctiveness × Member status **(H5)**				0.026*** (0.006)			0.024*** (0.006)
Critical performance	0.382*** (0.028)	0.361*** (0.028)	0.359*** (0.029)	0.351*** (0.028)	0.388*** (0.034)	0.361*** (0.028)	0.394*** (0.034)

Status gap × Critical performance					0.042 (0.027)		0.022 (0.019)
Status gap squared × Critical performance **(H6a)**					0.003 (0.005)		0.002 (0.003)
Status distinctiveness × Critical performance **(H7a)**					0.001 (0.024)		-0.025 (0.028)
Commercial performance	0.001**	0.001**	0.001**	0.001**	0.001**	0.001	0.001
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.001)	(0.001)
Status gap × Commercial performance						-0.000	-0.000
						(0.000)	(0.000)
Status gap squared × Commercial performance **(H6b)**						-0.000	-0.000
						(0.000)	(0.000)
Status distinctiveness × Commercial performance **(H7b)**						0.000	0.000
						(0.000)	(0.000)
Structural hole	2.105***	2.254***	2.235***	2.244***	2.250***	2.254***	2.233***
	(0.133)	(0.108)	(0.108)	(0.108)	(0.108)	(0.108)	(0.108)
Repertoire newness	0.110*	0.068	0.064	0.071	0.069	0.069	0.056
	(0.054)	(0.053)	(0.053)	(0.053)	(0.053)	(0.053)	(0.053)
Role: Wind instrument	-1.172***	-1.177***	-1.178***	-1.175***	-1.177***	-1.177***	-1.177***
	(0.022)	(0.022)	(0.022)	(0.022)	(0.022)	(0.022)	(0.022)
Role: Violin-family instrument	-2.458***	-2.455***	-2.455***	-2.461***	-2.456***	-2.455***	-2.456***
	(0.080)	(0.080)	(0.080)	(0.080)	(0.080)	(0.080)	(0.080)
Role: Vocal	-1.151***	-1.149***	-1.150***	-1.150***	-1.149***	-1.149***	-1.150***
	(0.030)	(0.030)	(0.030)	(0.030)	(0.030)	(0.030)	(0.030)

Role: Keyboard instrument	-0.572***	-0.578***	-0.578***	-0.578***	-0.579***	-0.578***	-0.579***
	(0.023)	(0.023)	(0.023)	(0.023)	(0.023)	(0.023)	(0.023)
Role: Guitar	-0.834***	-0.836***	-0.835***	-0.835***	-0.836***	-0.836***	-0.836***
	(0.029)	(0.029)	(0.029)	(0.029)	(0.029)	(0.029)	(0.029)
Role: Bass	-1.706***	-1.713***	-1.713***	-1.711***	-1.712***	-1.713***	-1.714***
	(0.038)	(0.038)	(0.038)	(0.038)	(0.038)	(0.038)	(0.038)
Role: Drums and percussions	-1.800***	-1.803***	-1.804***	-1.804***	-1.803***	-1.803***	-1.807***
	(0.035)	(0.034)	(0.035)	(0.035)	(0.035)	(0.034)	(0.035)
Sub-genre popularity	-0.001***	-0.001***	-0.001***	-0.001***	-0.001***	-0.001***	-0.001***
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Year dummies	YES	YES	YES	YES	YES	YES	YES
Observations	144141	144141	144141	144141	144141	144141	144141
Log-likelihood	-202288.440	-202206.317	-202188.447	-202184.506	-202203.070	-202206.026	-202158.504
Chi squared	17689.638	18051.605	18044.957	18257.021	18310.412	25157.985	18573.109

Robust standard errors in parentheses; $^{+}$ $p < 0.1$, * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$.
Status gap: Leader-member status gap.
Status distinctiveness: Leader status distinctiveness.

Table 5

Descriptive Statistics and Correlation (Polynomial Model)

Variables	Mean	S.D.	Min	Max	(1)	(2)	(3)	(4)	(5)	(6)	(7)
1. Leader status	0.63	1.48	0.00	18.20							
2. Member status	0.21	0.69	0.00	12.94	0.46						
3. Critical performance	0.10	0.42	0.00	11.00	0.21	0.35					
4. Commercial performance	1.12	17.46	0.00	1775	0.08	0.07	0.07				
5. Structural hole	0.01	0.07	0.00	1.13	0.01	-0.03	0.00	0.00			
6. Repertoire newness	0.22	0.31	0.00	1.00	0.22	0.19	0.15	0.05	0.15		
7. Role: Wind instrument	0.22	0.42	0.00	1.00	0.04	0.03	0.00	0.01	0.00	0.05	
8. Role: Violin-family instrument	0.05	0.22	0.00	1.00	0.06	0.08	-0.01	0.01	-0.01	0.00	-0.12
9. Role: Vocal	0.08	0.28	0.00	1.00	-0.01	-0.03	-0.05	-0.01	-0.01	-0.04	-0.16
10. Role: Keyboard instrument	0.09	0.29	0.00	1.00	0.00	-0.02	-0.02	-0.01	0.02	0.01	-0.17
11. Role: Guitar	0.07	0.25	0.00	1.00	-0.01	-0.01	-0.02	-0.01	0.01	0.01	-0.14
12. Role: Bass	0.11	0.31	0.00	1.00	0.02	0.03	0.07	0.01	0.02	0.06	-0.19
13. Role: Drums and percussions	0.15	0.36	0.00	1.00	0.03	0.03	0.07	0.01	0.02	0.09	-0.22
14. Sub-genre popularity	77.12	91.15	0.00	357.00	0.12	0.12	0.12	0.01	0.02	0.14	0.02

Variables	(8)	(9)	(10)	(11)	(12)	(13)
9. Role: Vocal	-0.07					
10. Role: Keyboard instrument	-0.07	-0.1				
11. Role: Guitar	-0.06	-0.08	-0.09			
12. Role: Bass	-0.08	-0.11	-0.11	-0.09		
13. Role: Drums and percussions	-0.10	-0.13	-0.14	-0.11	-0.15	
14. Sub-genre popularity	-0.01	-0.02	0.03	0.00	0.05	0.05

N=144,141

Table 6

Cox Model of Entrepreneurial Decisions (Polynomial Model)

Variables	Model 1	Model 2	Model 3
Leader status	-0.210***	-0.202***	-0.256***
	(0.026)	(0.026)	(0.027)
Member status	0.276***	0.327***	0.893***
	(0.023)	(0.031)	(0.080)
Leader status squared			0.001
			(0.003)
Leader status × Member status		-0.016*	0.028*
		(0.007)	(0.012)
Member status squared			-0.165***
			(0.030)
Leader status distinctiveness	1.489***	1.477***	1.595***
	(0.234)	(0.235)	(0.240)
Critical performance	0.386***	0.383***	0.352***
	(0.028)	(0.028)	(0.027)
Commercial performance	0.001**	0.001**	0.001**
	(0.000)	(0.000)	(0.000)
Structural hole	2.046***	2.054***	2.049***
	(0.139)	(0.138)	(0.146)
Repertoire newness	0.095+	0.101+	0.123*
	(0.054)	(0.054)	(0.054)
Role: Wind instrument	-1.173***	-1.173***	-1.171***
	(0.022)	(0.022)	(0.022)
Role: Violin-family instrument	-2.450***	-2.451***	-2.466***
	(0.080)	(0.080)	(0.080)
Role: Vocal	-1.150***	-1.150***	-1.150***
	(0.030)	(0.030)	(0.030)
Role: Keyboard instrument	-0.572***	-0.571***	-0.569***
	(0.023)	(0.023)	(0.023)
Role: Guitar	-0.834***	-0.835***	-0.832***
	(0.029)	(0.029)	(0.029)
Role: Bass	-1.707***	-1.706***	-1.702***
	(0.038)	(0.038)	(0.038)

Role: Drums and percussions	-1.801***	-1.800***	-1.799***
	(0.035)	(0.035)	(0.035)
Sub-genre popularity	-0.001***	-0.001***	-0.001***
	(0.000)	(0.000)	(0.000)
Year dummies	YES	YES	YES
Observations	144141	144141	144141
Log-likelihood	-202267.444	-202265.093	-202177.164
Chi squared	17636.187	17644.431	18112.394

Robust standard errors in parentheses; $^{+}$ $p < 0.1$, * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$.

Table 7

Descriptive Statistics and Correlation (Audience-based Status)

Variables	Mean	S.D.	Min	Max	(1)	(2)	(3)	(4)	(5)	(6)	(7)
1. Entrepreneurial decision	0.14	0.34	0.00	1.00							
2. Status gap (audience)	0.00	1.00	-32.79	13.5	-0.04						
3. Status distinctiveness (audience)	0.00	1.00	-0.25	25.07	-0.06	0.00					
4. Member status (audience)	0.02	0.18	0.00	13.08	-0.01	-0.20	0.12				
5. Critical performance	0.10	0.42	0.00	11.00	-0.05	0.00	0.13	0.16			
6. Commercial performance	1.12	17.46	0.00	1775.00	-0.01	-0.01	0.14	0.06	0.07		
7. Structural hole	0.01	0.07	0.00	1.13	-0.02	-0.01	0.01	-0.01	0.00	0.00	
8. Repertoire newness	0.22	0.31	0.00	1.00	-0.13	-0.03	0.16	0.05	0.15	0.05	0.15
9. Role: Wind instrument	0.22	0.42	0.00	1.00	-0.10	0.05	0.07	0.01	0.00	0.01	0.00
10. Role: Violin-family instrument	0.05	0.22	0.00	1.00	-0.08	0.05	0.00	-0.02	-0.01	0.01	-0.01
11. Role: Vocal	0.08	0.28	0.00	1.00	-0.04	-0.02	-0.03	0.00	-0.05	-0.01	-0.01
12. Role: Keyboard instrument	0.09	0.29	0.00	1.00	0.01	-0.01	-0.01	0.00	-0.02	-0.01	0.02
13. Role: Guitar	0.07	0.25	0.00	1.00	-0.01	-0.01	-0.02	-0.01	-0.02	-0.01	0.01
14. Role: Bass	0.11	0.31	0.00	1.00	-0.10	-0.02	0.02	0.02	0.07	0.01	0.02
15. Role: Drums and percussions	0.15	0.36	0.00	1.00	-0.12	-0.02	0.02	0.00	0.07	0.01	0.02
16. Sub-genre popularity	77.12	91.15	0.00	357.00	-0.11	-0.02	0.02	0.03	0.12	0.01	0.02

Variables	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
10. Role: Wind instrument	0.05							
11. Role: Violin-family instrument	0.00	-0.12						
12. Role: Vocal	-0.04	-0.16	-0.07					
13. Role: Keyboard instrument	0.01	-0.17	-0.07	-0.10				
14. Role: Guitar	0.01	-0.14	-0.06	-0.08	-0.09			
15. Role: Bass	0.06	-0.19	-0.08	-0.11	-0.11	-0.09		
16. Role: Drums and percussions	0.09	-0.22	-0.10	-0.13	-0.14	-0.11	-0.15	
17. Sub-genre popularity	0.14	0.02	-0.01	-0.02	0.03	0.00	0.05	0.05

N=144,141

Table 8

Cox Model of Entrepreneurial Decisions (Audience-based Status)

Variables	**Model 1**	**Model 2**	**Model 3**	**Model 4**	**Model 5**	**Model 6**	**Model 7**
Status gap	-0.156***	-0.205***	-0.280***	-0.213***	-0.209***	-0.204***	-0.328***
	(0.013)	(0.019)	(0.021)	(0.019)	(0.019)	(0.019)	(0.023)
Status gap squared		-0.010***	-0.014***	-0.006**	-0.008***	-0.011***	-0.001
		(0.002)	(0.003)	(0.002)	(0.002)	(0.002)	(0.004)
Status distinctiveness	-0.114***	-0.067***	-0.055***	-0.094***	-0.075***	-0.063***	-0.084***
	(0.015)	(0.016)	(0.015)	(0.018)	(0.017)	(0.016)	(0.018)
Status gap × Status distinctiveness			0.025***				0.031***
			(0.005)				(0.004)
Status gap squared × Status distinctiveness			0.001***				0.001***
			(0.000)				(0.000)
Member status (audience)	0.149*	0.269***	0.250***	0.344***	0.305***	0.269***	0.331***
	(0.061)	(0.048)	(0.052)	(0.050)	(0.047)	(0.048)	(0.049)
Status gap × Member status				0.006			0.017
				(0.028)			(0.023)
Status gap squared × Member status				-0.008+			-0.012**
				(0.004)			(0.004)
Status distinctiveness × Member status				0.048*			0.062**
				(0.020)			0.017
Critical performance	0.458***	0.453***	0.452***	0.454***	0.468***	0.452***	0.464***
	(0.024)	(0.024)	(0.024)	(0.024)	(0.026)	(0.024)	(0.027)

Status gap × Critical performance					0.009 (0.015)		0.007 (0.017)
Status gap squared × Critical performance					-0.003 (0.003)		0.002 (0.005)
Status distinctiveness × Critical performance					-0.007 (0.022)		-0.026 (0.027)
Commercial performance	0.001*** (0.000)	0.001** (0.000)	0.001** (0.000)	0.001** (0.000)	0.001** (0.000)	0.002** (0.001)	0.002** (0.001)
Status gap × Commercial performance						-0.000 (0.001)	-0.000 (0.000)
Status gap squared × Commercial performance						0.000 (0.000)	0.000^{+} (0.000)
Status distinctiveness × Commercial performance						-0.001 (0.000)	-0.000 (0.000)
Structural hole	2.266*** (0.106)	2.257*** (0.106)	2.247*** (0.106)	2.253*** (0.106)	2.257*** (0.106)	2.258*** (0.106)	2.240*** (0.106)
Repertoire newness	0.009 (0.053)	-0.028 (0.053)	-0.048 (0.053)	-0.029 (0.053)	-0.028 (0.054)	-0.025 (0.054)	-0.054 (0.053)
Role: Wind instrument	-1.169*** (0.022)	-1.168*** (0.022)	-1.168*** (0.022)	-1.167*** (0.022)	-1.167*** (0.022)	-1.168*** (0.022)	-1.167*** (0.022)
Role: Violin-family instrument	-2.440*** (0.079)	-2.434*** (0.079)	-2.437*** (0.080)	-2.434*** (0.079)	-2.434*** (0.079)	-2.434*** (0.079)	-2.433*** (0.079)
Role: Vocal	-1.166*** (0.030)	-1.165*** (0.030)	-1.165*** (0.030)	-1.166*** (0.030)	-1.166*** (0.030)	-1.165*** (0.030)	-1.167*** (0.030)
Role: Keyboard instrument	-0.580***	-0.581***	-0.582***	-0.583***	-0.582***	-0.582***	-0.585***

	(0.023)	(0.023)	(0.023)	(0.023)	(0.023)	(0.023)	(0.023)
Role: Guitar	-0.839***	-0.840***	-0.841***	-0.841***	-0.841***	-0.840***	-0.842***
	(0.029)	(0.029)	(0.029)	(0.029)	(0.029)	(0.029)	(0.029)
Role: Bass	-1.713***	-1.716***	-1.716***	-1.717***	-1.717***	-1.716***	-1.719***
	(0.038)	(0.038)	(0.038)	(0.038)	(0.038)	(0.038)	(0.038)
Role: Drums and percussions	-1.802***	-1.803***	-1.803***	-1.804***	-1.803***	-1.803***	-1.805***
	(0.034)	(0.034)	(0.034)	(0.034)	(0.034)	(0.034)	(0.034)
Sub-genre popularity	-0.001***	-0.001***	-0.001***	-0.001***	-0.001***	-0.001***	-0.001***
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Year dummies	YES	YES	YES	YES	YES	YES	YES
Observations	144141	144141	144141	144141	144141	144141	144141
Log-likelihood	-202256.202	-202226.103	-202203.749	-202212.850	-202221.687	-202224.767	-202179.548
Chi squared	18265.322	18141.774	18089.425	18218.072	18243.935	18217.680	18398.951

Robust standard errors in parentheses; $^{+}$ $p < 0.1$, * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Table 9

Descriptive Statistics and Correlation (Entrepreneurial Team Formation)

	Mean	S.D.	Min	Max	(1)	(2)	(3)	(4)	(5)	(6)
1. Average status gap of the entrepreneurial team	0.02	0.80	-10.03	11.36						
2. Status distinctiveness of the entrepreneurial team	0.05	0.16	0.00	6.11	0.35					
3. Average status gap of the entrepreneurial team (audience)	0.02	0.64	-10.89	19	0.27	0.07				
4. Status distinctiveness of the entrepreneurial team (audience)	0.02	0.12	0.00	4.06	0.12	0.26	0.57			
5. Status gap of the prior employer	0.00	1.00	-20.46	15.28	0.03	0.01	0.03	0.01		
6. Status distinctiveness of the prior employer	0.00	1.00	-0.24	27.03	0.19	0.21	0.07	0.09	0.00	
7. Member status	0.00	1.00	-8.71	26.28	0.27	0.23	0.07	0.06	0.00	0.00
8. Status gap of the prior employer (audience)	0.00	1.00	-2.91	20.61	0.12	0.09	0.16	0.16	0.14	0.23
9. Status distinctiveness of the prior employer (audience)	0.00	1.00	-18.04	42.55	0.02	0.02	0.04	0.07	-0.20	0.13
10. Member status (audience)	0.01	0.16	0.00	9.23	0.08	0.06	0.20	0.31	0.02	0.11
11. Critical performance	0.05	0.33	0.00	11.00	0.18	0.14	0.11	0.10	0.00	0.21
12. Commercial performance	0.55	15.46	0.00	1775.00	0.02	0.02	0.03	0.04	0.00	0.07
13. Structural hole	0.01	0.06	0.00	1.13	0.01	0.01	-0.01	0.01	-0.06	0.07
14. Repertoire newness	0.12	0.26	0.00	1.00	0.13	0.12	0.05	0.06	-0.13	0.27
15. Role: Wind instrument	0.12	0.33	0.00	1.00	0.05	0.06	0.01	0.04	-0.02	0.11
16. Role: Violin-family instrument	0.01	0.09	0.00	1.00	0.01	0.01	0.00	0.00	-0.02	0.01
17. Role: Vocal	0.06	0.23	0.00	1.00	0.00	0.02	0.00	0.00	0.02	0.03
18. Role: Keyboard instrument	0.10	0.3	0.00	1.00	0.01	0.04	0.00	0.03	-0.04	0.07
19. Role: Guitar	0.06	0.23	0.00	1.00	0.01	0.02	0.00	0.00	-0.03	0.03
20. Role: Bass	0.03	0.18	0.00	1.00	0.03	0.05	0.01	0.03	-0.02	0.08
21. Role: Drums and percussions	0.04	0.20	0.00	1.00	0.06	0.06	0.01	0.02	-0.02	0.09
22. Sub-genre popularity	51.71	88.98	0.00	357.00	0.13	0.14	0.03	0.07	-0.03	0.16

	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)
8. Status gap of the prior employer (audience)	0.08														
9. Status distinctiveness of the prior employer (audience)	-0.02	0.00													
10. Member status (audience)	0.13	0.14	0.03												
11. Critical performance	0.36	0.12	0.08	0.14											
12. Commercial performance	0.04	0.10	0.08	0.11	0.07										
13. Structural hole	-0.03	0.01	0.03	0.00	0.02	0.01									
14. Repertoire newness	0.14	0.14	0.15	0.07	0.18	0.06	0.18								
15. Role: Wind instrument	0.06	0.08	0.05	0.03	0.07	0.01	0.05	0.25							
16. Role: Violin-family instrument	0.00	0.00	-0.01	0.00	0.00	0.00	0.02	0.07	-0.03						
17. Role: Vocal	-0.01	0.01	-0.01	0.03	-0.02	-0.01	-0.01	0.02	-0.09	-0.02					
18. Role: Keyboard instrument	0.00	0.02	0.02	0.01	0.02	0.00	0.02	0.11	-0.12	-0.03	-0.08				
19. Role: Guitar	0.02	0.01	0.02	0.01	0.01	0.00	0.03	0.1	-0.09	-0.02	-0.06	-0.08			
20. Role: Bass	0.06	0.02	0.05	0.02	0.10	0.05	0.05	0.15	-0.07	-0.02	-0.05	-0.06	-0.05		
21. Role: Drums and percussions	0.10	0.04	0.04	0.03	0.10	0.02	0.03	0.17	-0.08	-0.02	-0.05	-0.07	-0.05	-0.04	
22. Sub-genre popularity	0.13	0.08	0.05	0.04	0.15	0.02	0.06	0.19	0.18	0.02	0.01	0.12	0.08	0.06	0.07

N=19,469

Table 10

Regression Model of Entrepreneurial Team Formation

Variables	**Model 1. Average status gap of entrepreneurial teams**	**Model 2. Status distinctiveness of entrepreneurial teams**	**Model 3. Average status gap of entrepreneurial teams (audience)**	**Model 4. Status distinctiveness of entrepreneurial teams (audience)**
Average status gap of the prior organization **(H8)**	0.027** (0.010)	0.002 (0.004)	0.068*** (0.015)	0.010*** (0.002)
Status distinctiveness of the prior organization **(H9)**	0.128*** (0.010)	0.030*** (0.004)	0.015 (0.012)	0.006* (0.003)
Member status	0.195*** (0.012)	0.035*** (0.003)	0.670*** (0.096)	0.213*** (0.038)
Critical performance	0.072* (0.029)	0.009 (0.006)	0.131*** (0.029)	0.015** (0.005)
Commercial performance	-0.000 (0.000)	-0.000 (0.000)	-0.000 (0.000)	-0.000 (0.000)
Structural hole	-0.010 (0.139)	0.037+ (0.021)	-0.076 (0.085)	0.022 (0.017)
Repertoire newness	0.113*** (0.025)	0.010+ (0.006)	0.058** (0.019)	0.001 (0.003)
Role: Wind instrument	-0.035 (0.030)	-0.004 (0.005)	-0.087** (0.027)	-0.011* (0.004)
Role: Violin-family instrument	-0.015 (0.068)	-0.009 (0.011)	-0.070 (0.055)	-0.012 (0.010)

Role: Vocal	-0.041	-0.001	-0.060*	-0.015**
	(0.034)	(0.006)	(0.031)	(0.006)
Role: Keyboard instrument	-0.056*	0.003	-0.079***	-0.005
	(0.024)	(0.005)	(0.024)	(0.004)
Role: Guitar	-0.050+	-0.004	-0.062*	-0.014***
	(0.030)	(0.005)	(0.025)	(0.004)
Role: Bass	-0.043	-0.001	-0.077*	-0.001
	(0.043)	(0.009)	(0.037)	(0.008)
Role: Drums and percussions	0.030	0.001	-0.073*	-0.013*
	(0.042)	(0.008)	(0.031)	(0.006)
Sub-genre popularity	0.001***	0.000***	0.000	0.000***
	(0.000)	(0.000)	(0.000)	(0.000)
Hazard ratio	0.000	-0.003**	-0.003	-0.001*
	(0.004)	(0.001)	(0.004)	(0.001)
Constant	0.779+	0.139*	1.333	0.169
	(0.411)	(0.063)	(0.907)	(0.125)
Observations	19469	19469	19469	19469
R squared	0.131	0.112	0.102	0.154

Robust standard errors in parentheses; + $p < 0.1$, * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

APPENDIX B

FIGURES

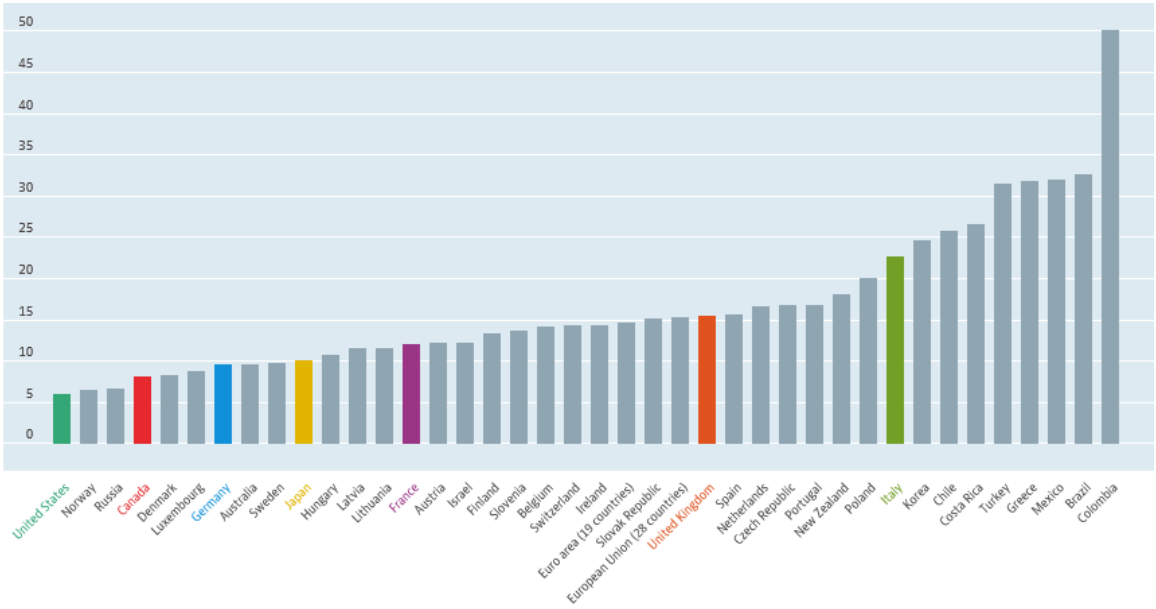


Figure 1. Self-employment rates of OECD countries (2019)

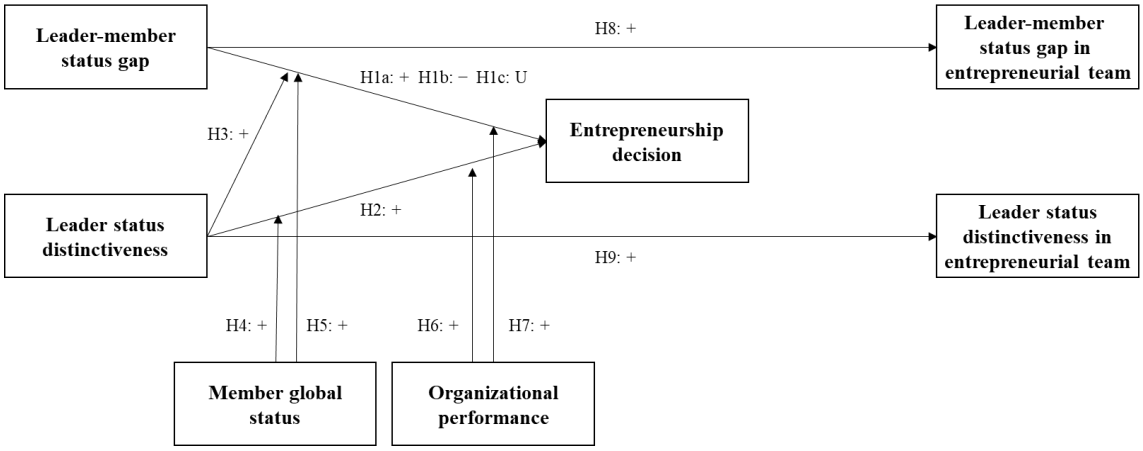


Figure 2. Nomological Map

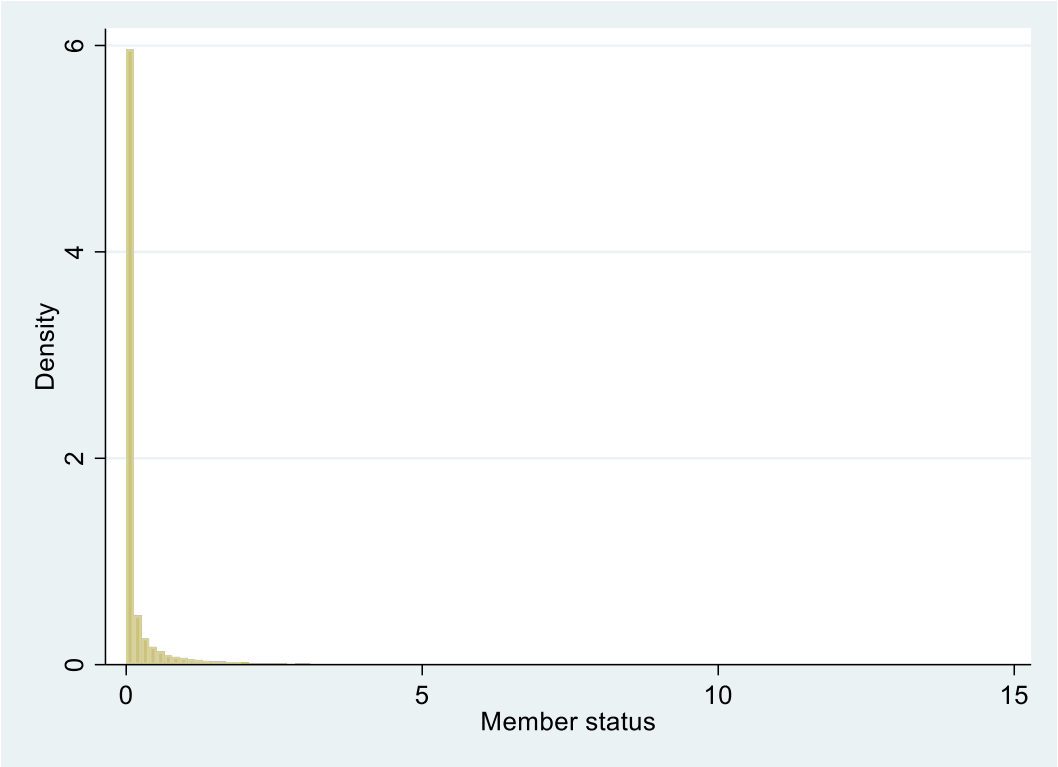


Figure 3. Histogram of Member Absolute Status

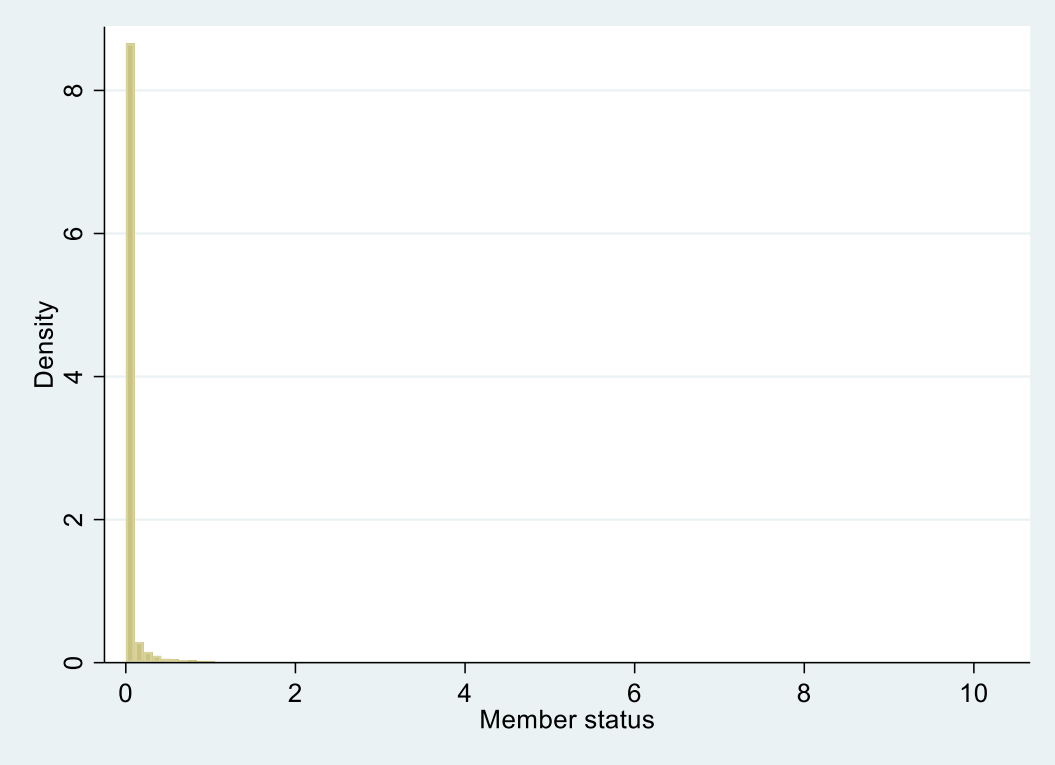


Figure 4. Member Absolute Status at the Time of the Entrepreneurial Decision

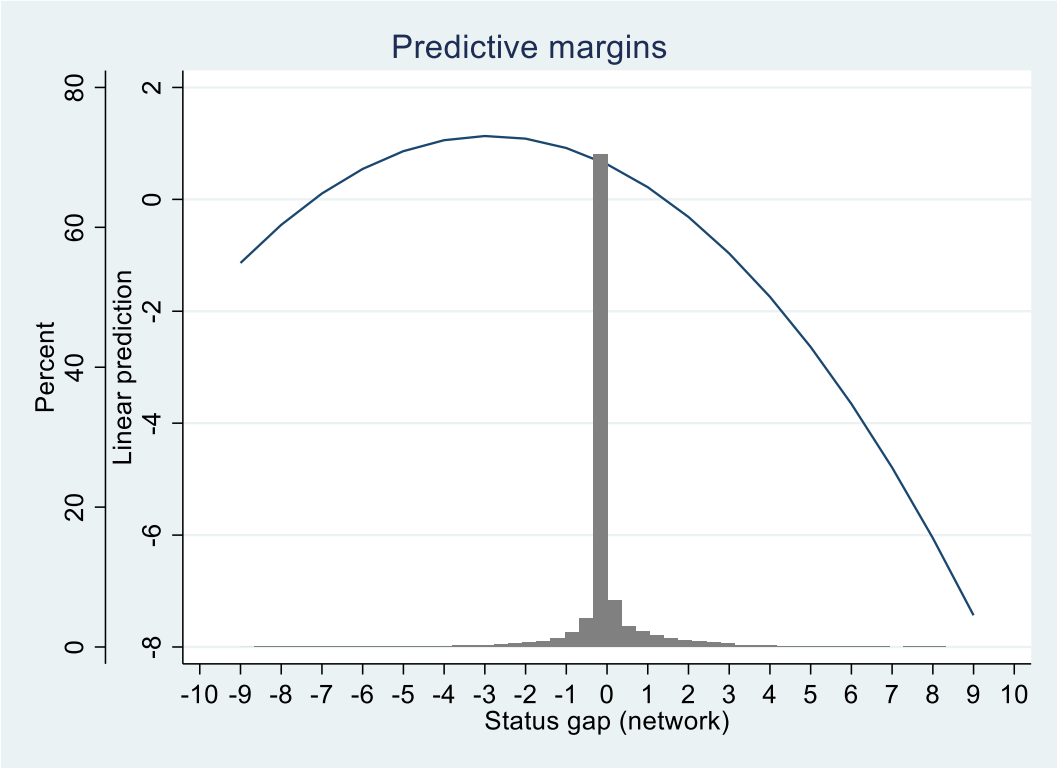


Figure 5. The Main Effect of Leader-Member Status Gap (H1a/b/c)

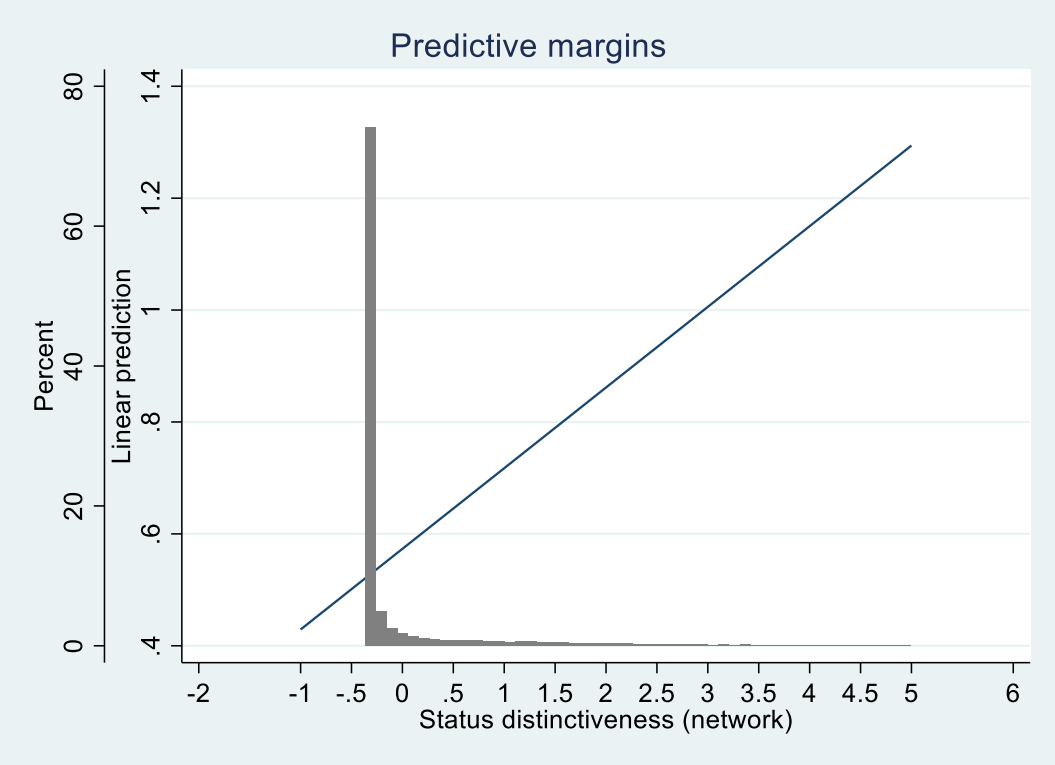


Figure 6. The Main Effect of Leader Status Distinctiveness (H2)

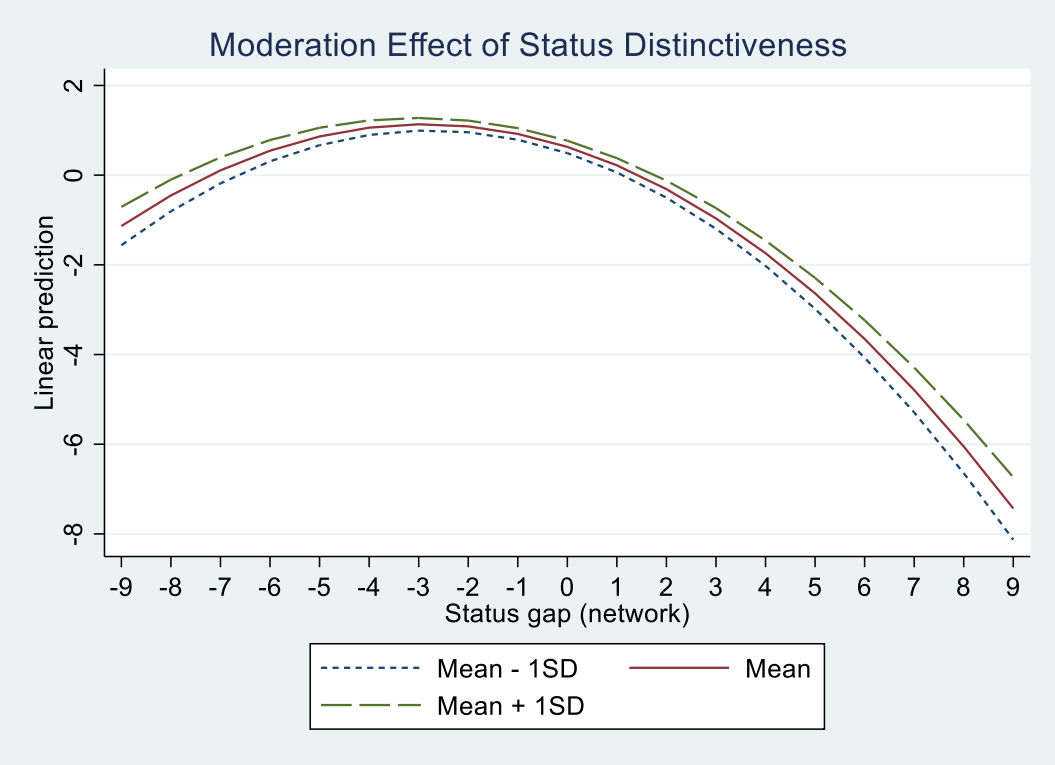


Figure 7. The Moderation Effect of Leader Status Distinctiveness on H1 (H3)

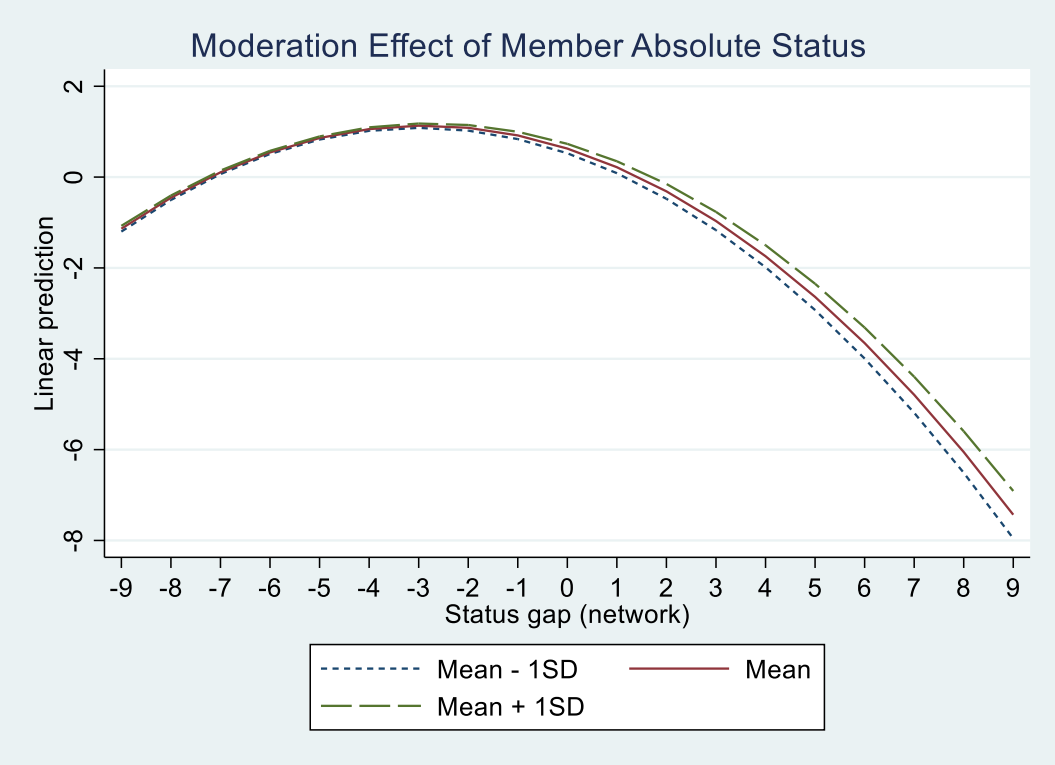


Figure 8. The Moderation Effect of Member Absolute Status on H1 (H4)

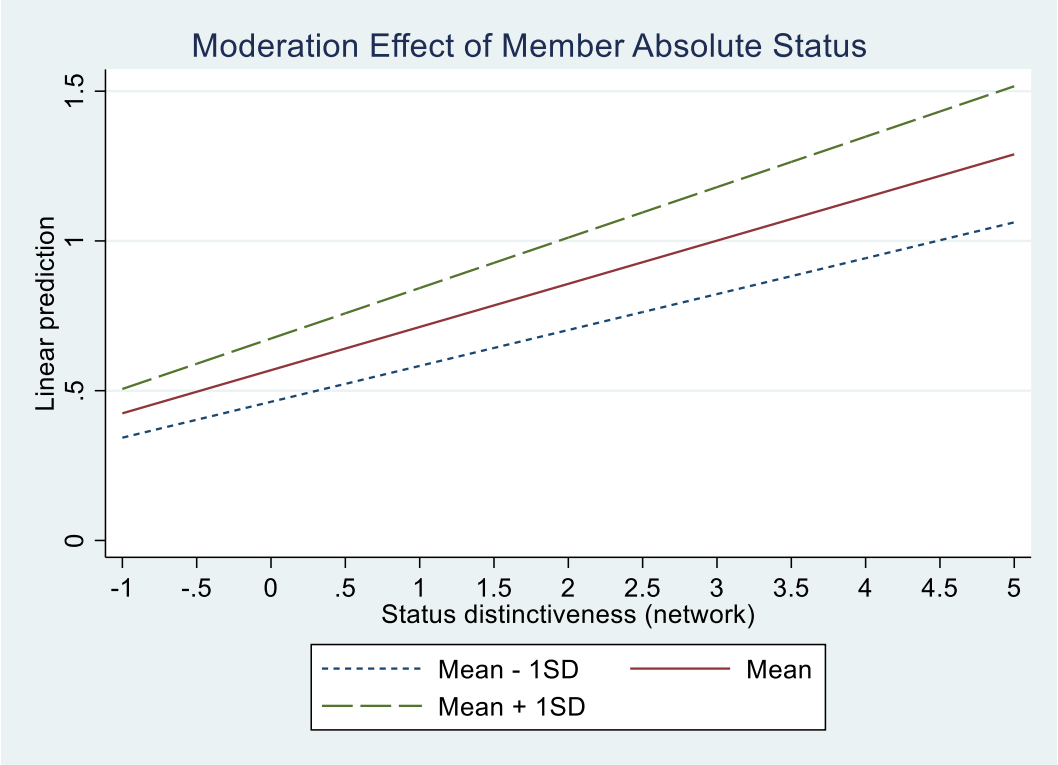


Figure 9. The Moderation Effect of Member Absolute Status on H2 (H5)

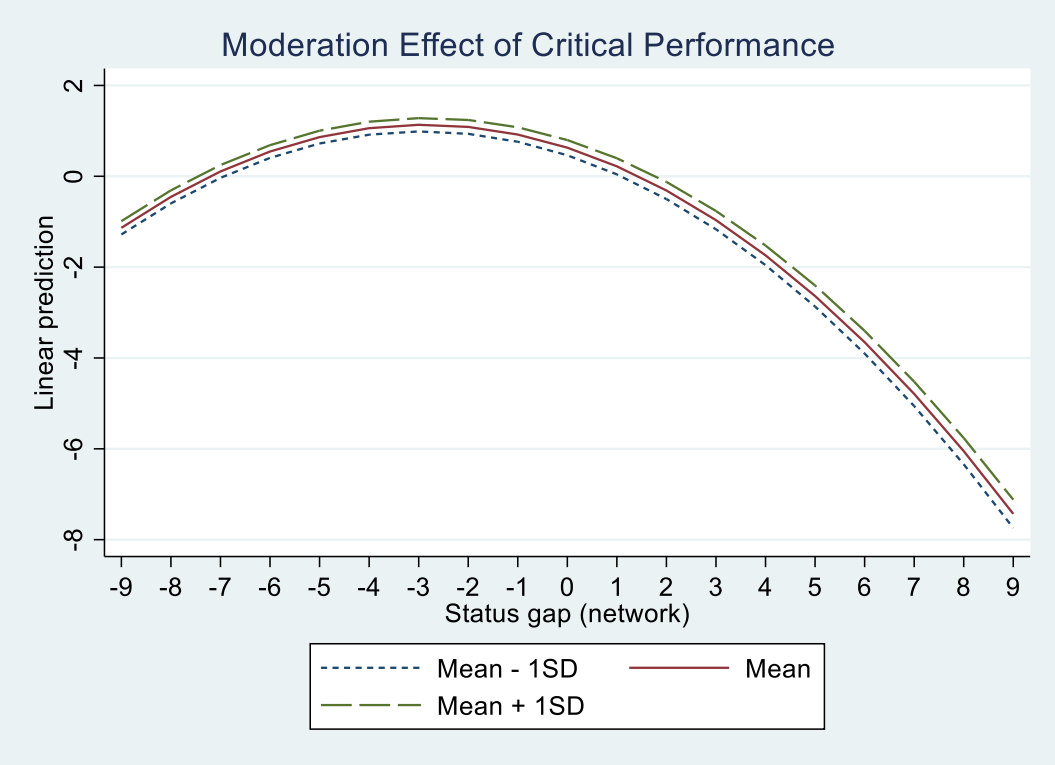


Figure 10. The Moderation Effect of Critical Performance on H1 (H6a)

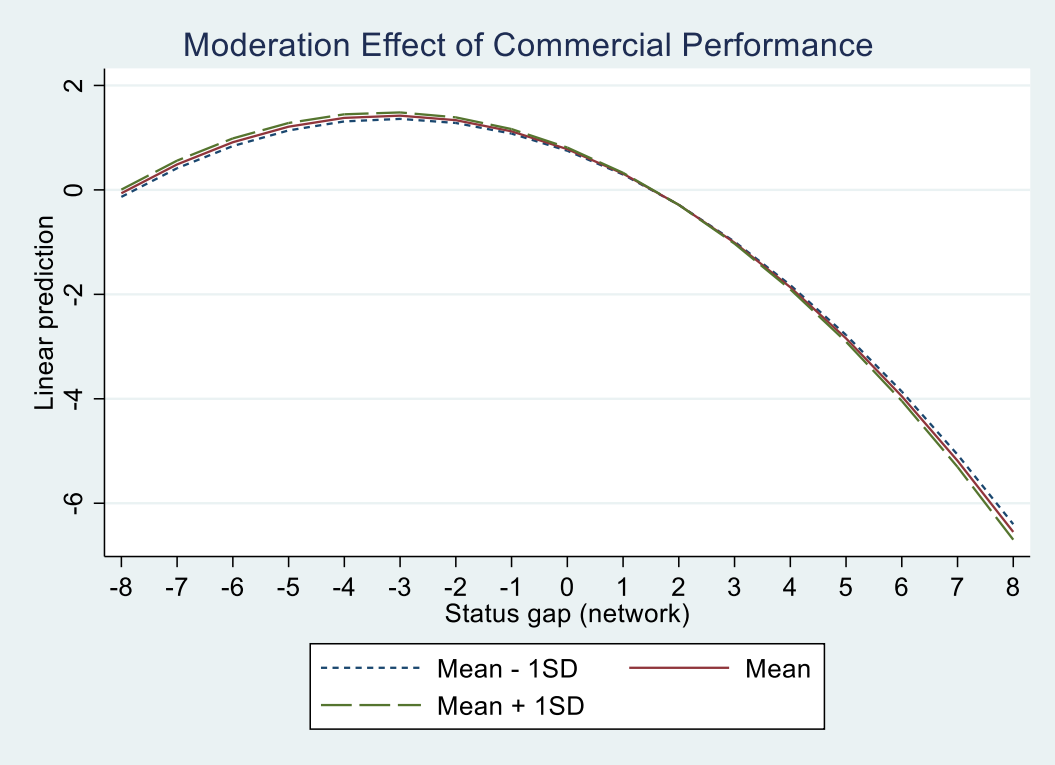


Figure 11. The Moderation Effect of Commercial Performance on H1 (H6b)

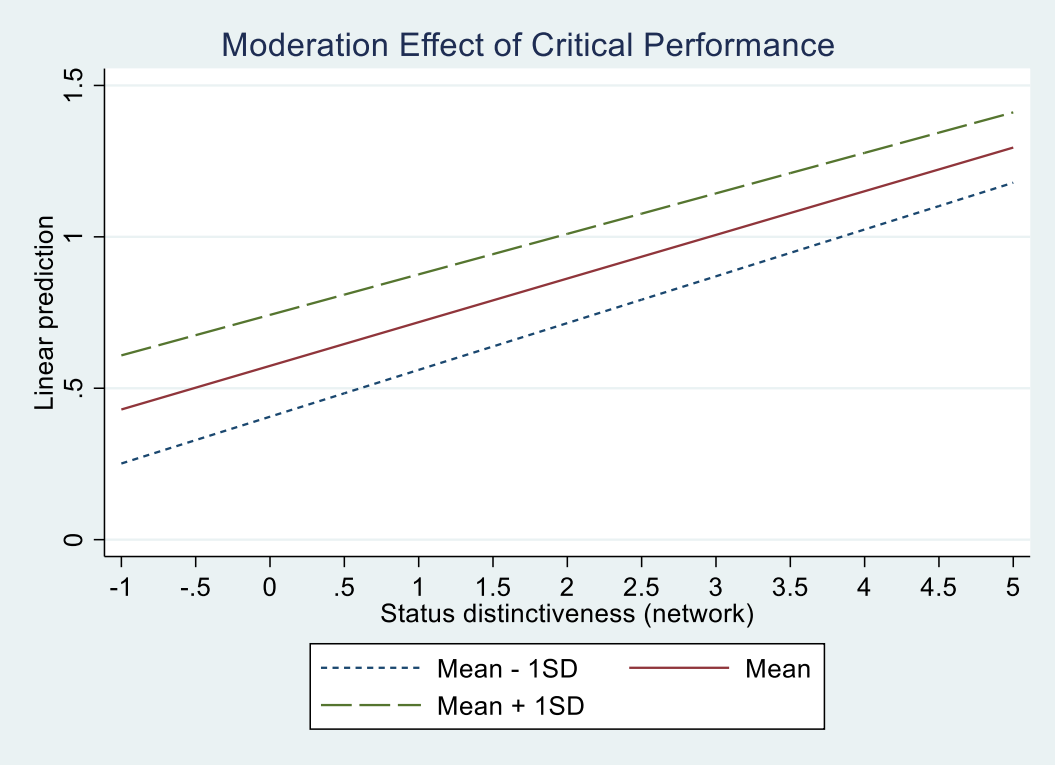


Figure 12. The Moderation Effect of Critical Performance on H2 (H7a)

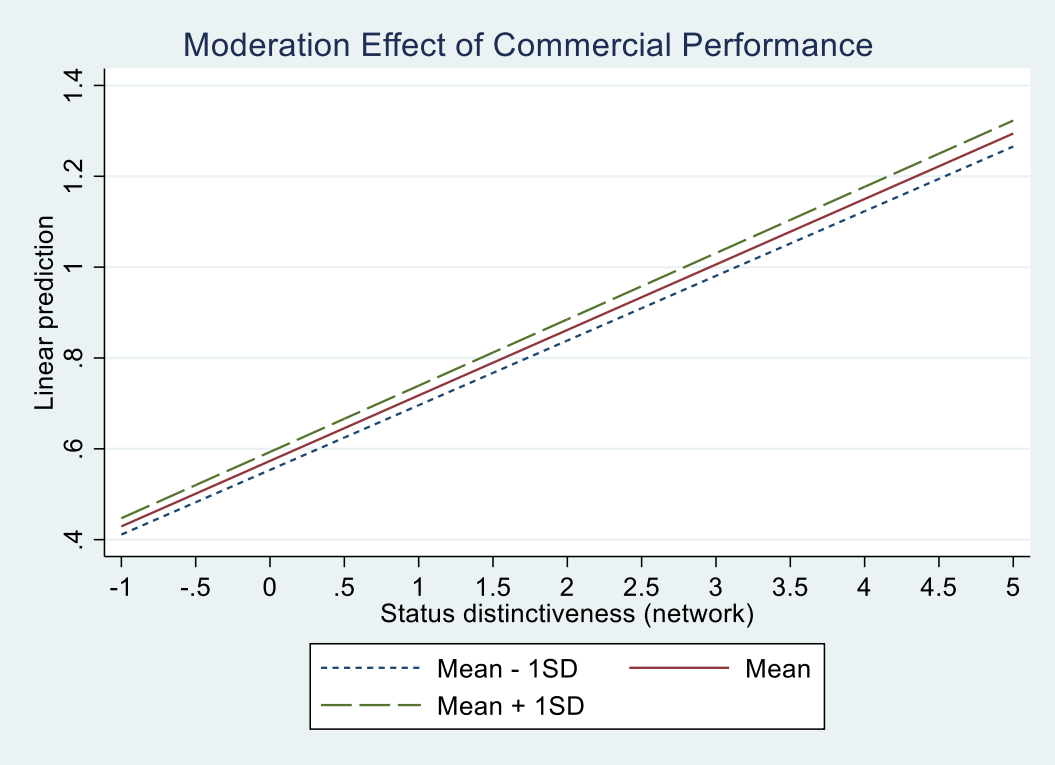


Figure 13. The Moderation Effect of Commercial Performance on H2 (H7b)

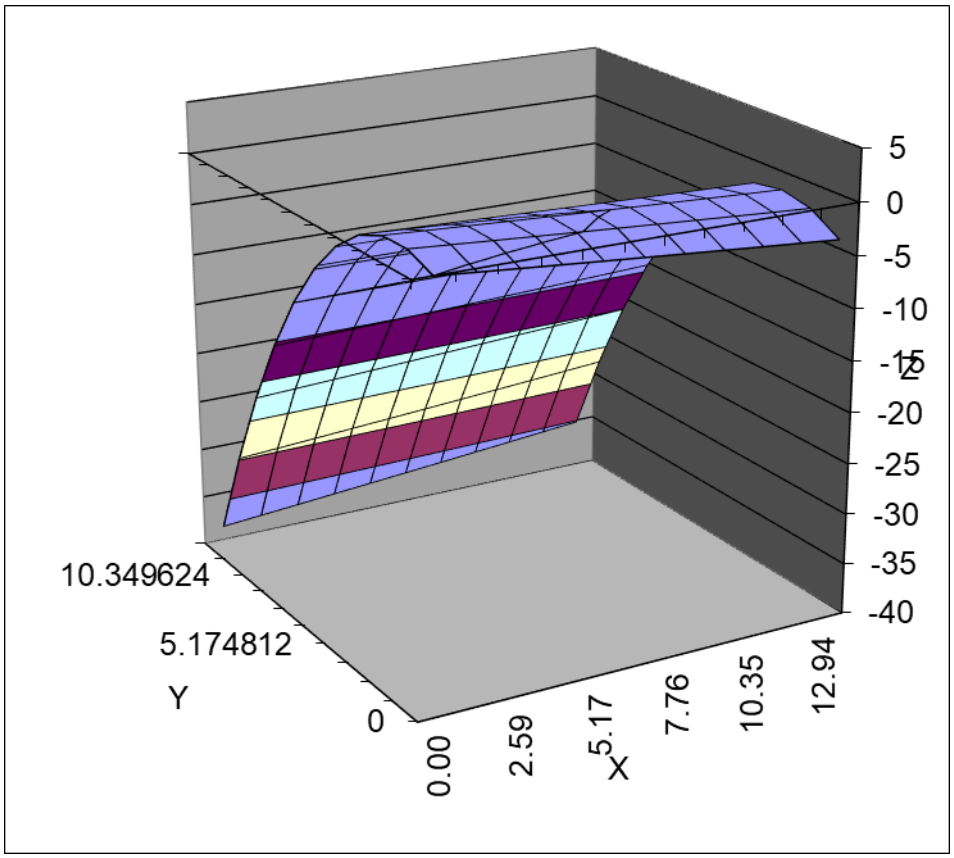


Figure 14. The Surface of the Polynomial Model: Quadratic Specification (H1a/b/c) X-axis represents leader status, and Y-axis represents member status.

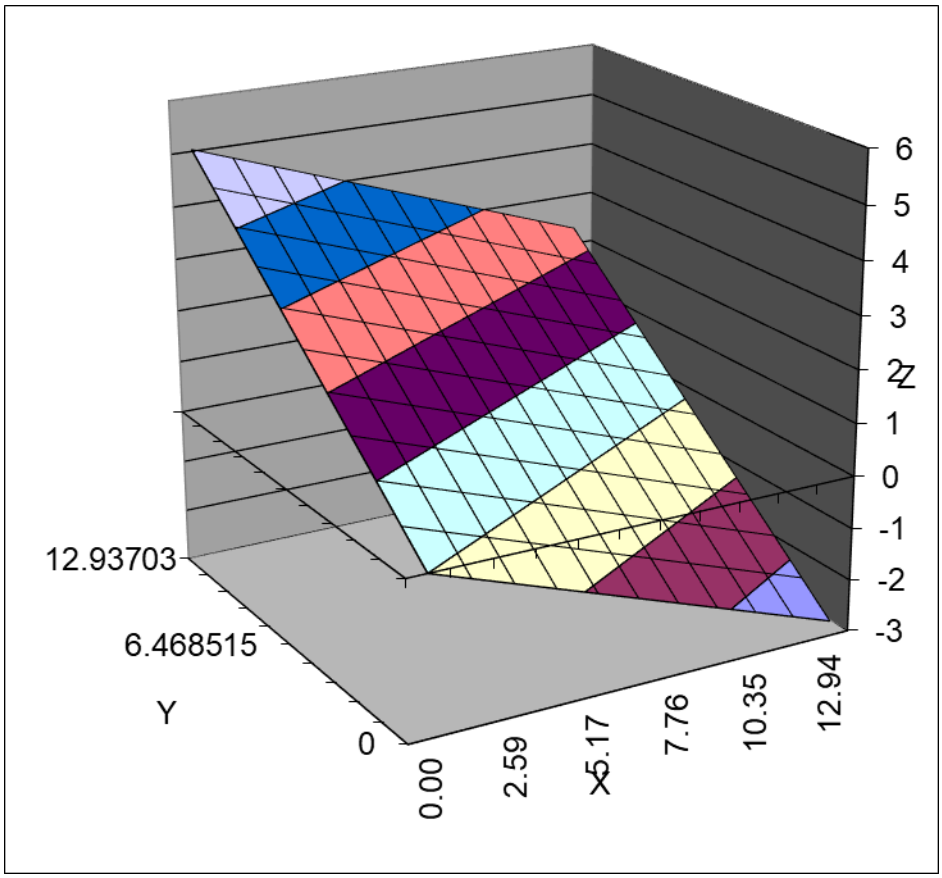


Figure 15. The Surface of the Polynomial Model: Linear Specification (H1a/b) X-axis represents leader status, and Y-axis represents member status.