Do Persistent and Transitory Hybrid Entrepreneurs Differ?

Anmari H. Viljamaa, Elina M. Varamäki

Abstract—In this study, we compare the profiles of transitory hybrid entrepreneurs and persistent hybrid entrepreneurs to determine how they differ. Hybrid entrepreneurs (HEs) represent a significant share of entrepreneurial activity yet little is known about them. We define HEs as individuals who are active as entrepreneurs but do not support themselves primarily by their enterprise. Persistent HEs (PHEs) are not planning to transition to fulltime entrepreneurship whereas transitory HEs (THEs) consider it probable. Our results show that THEs and PHEs are quite similar in background. THEs are more interested in increasing their turnover than PHEs, as expected, but also emphasize self-fulfillment as a motive for entrepreneurship more than PHEs. The clearest differences between THEs and PHEs are found in their views on how well their immediate circle supports full-time entrepreneurship, and their views of their own entrepreneurial abilities and the market potential of their firm. Our results support earlier arguments that hybrids should be considered separately in research on entrepreneurial entry and self-employment.

Keywords—Hybrid entrepreneurship, part-time entrepreneurship, self-employment, Theory of Planned Behavior.

I. INTRODUCTION

Many nascent entrepreneurs, i.e. individuals in the process of starting a new venture, are simultaneously in full-time employment. Nevertheless, entrepreneurship research tends to view entrepreneurship as a dichotomous variable, either-or. Also studies examining occupational choice between employed work and self-employment have a tendency to view the choice as a dichotomous variable. Hybrid entrepreneurs (HEs) represent a significant share of entrepreneurial activity, yet the phenomenon is among the least understood aspects of nascent entrepreneurship (e.g. [1], [2]). When entrepreneurship research has examined hybrid entrepreneurship, focus has largely been on part-time entrepreneurship as an entry strategy, i.e. as a route to full-time entrepreneurship (e.g. [3]), and on the impact of part-time vs. full-time entry on venture success (e.g. [4]). There is, however, some evidence to suggest that HEs are systematically different from entrepreneurs opting for full-time self-employment immediately [1]. Further, there is also evidence to suggest that combining entrepreneurial activities with salaried employment may be a permanent condition for many (e.g. [5], [6]). In this paper we suggest there may be systematic differences between persistent and transitory HEs as well.

Practical definitions of hybrid entrepreneurship vary. Entrepreneur’s time can be viewed as an investment determined partly by the level of knowledge the entrepreneur has on his or her probability of success [7], with part-time entrepreneurs defined on basis of the number of hours worked on business activities (less than 35 hours per week). Reference [8] uses the term ‘second job entrepreneur’, and the definition includes individuals with primary paid jobs and secondary employment as self-employed in unincorporated businesses. One study [9] applies an income related measure, defining those whose entrepreneurial income is a maximum of 75 per cent of total income as part-timers. Following [10], we define HEs as individuals who are active as entrepreneurs but do not support themselves primarily by their enterprise.

The aim to the paper is to explore the profiles of transitory hybrid entrepreneurs (THEs), i.e. HEs who consider full-time entrepreneurship probable, and persistent hybrid entrepreneurs (PHEs), i.e. HEs who view their hybrid condition as permanent.

II. LITERATURE REVIEW

Three theoretical rationales for hybrid entry into entrepreneurship have been proposed [1]: hybrid activities can be viewed as a path to supplementary income, to nonmonetary benefits, or to transition, i.e. a safe bridge into self-employment for individuals explicitly considering self-employment. Rather than make an immediate entry, an individual may prefer to maintain the option of remaining with their current employer. Some opportunity costs may be thus avoided, and if there is high uncertainty regarding the success of the venture, hybrid entrepreneurship allows experimentation. This is in line with the suggestion that simultaneous entrepreneurship and employment provide an opportunity for the aspiring entrepreneur to test his abilities [7]. In another study it has been found that credit constraints, i.e. the need to support oneself by salaried employment while creating the new venture, are an insufficient explanation for hybrid entry, and suggested that risk aversion be considered a possible rationale for part-time efforts [3].

In a panel study it was found that individuals choosing hybrid status have on average higher salary income than those choosing full self-employment [1]. Similarly, it has been found that employees with higher salaries are more likely to engage in hybrid activities than those with lower incomes [8] and that HEs have higher than average salary income [10].
These results somewhat undermine the rationale for hybrid entrepreneurship as a means of supplementing income. It is also possible that high income HEs are less willing to give up their employment than the HEs with less to lose in terms of salary income.

Second jobs as entrepreneurs may be preferable to second wage jobs because of psychological benefits [1]. In line with this, some results [9] suggest that part-time efforts relate to a focus on non-pecuniary aspects rather than profit maximization. In the EU a higher percentage of the population expresses a preference for self-employment than actually becomes self-employed [11]; in Finland, 26.04% of the active population expressed such a preference as opposed to only 16.67% having self-employment status. Possibly the entrepreneurial potential is being partially realized in hybrid entrepreneurship.

Entrepreneurship may also be motivated by push rather than pull factors, i.e. an individual may find that self-employment is the only available option, or may be pushed towards entrepreneurship by dissatisfaction with employment. For salaried HEs part-time entrepreneurship may play a similar role; an employed individual may feel insecure about the continuity of the job and start a part-time business as career insurance. At the same time, as entrepreneurs have higher satisfaction levels than employees [12], hybrid entrepreneurship may increase HEs’ overall satisfaction by providing an outlet for entrepreneurial energies.

Ajzen’s [13] Theory of Planned Behavior (TPB) has been extensively applied [14] and has proven effective in context of entrepreneurial intentions. In Ajzen’s theory behavioral intentions have three conceptually independent determinants, namely attitude towards the behavior, subjective norm and perceived behavioral control (PBC). Attitude refers to the degree to which a person has a favorable evaluation of the behavior. Subjective norm refers to the perceived social pressure to perform, or not, a behavior. It is based on beliefs concerning whether important people approve of the behavior, and to what extent this matters to the individual. PBC refers to the perceived ease of performing the behavior, and is based on beliefs regarding the presence of requisite resources and opportunities (see e.g. [15]).

Here we apply the TPB to HEs’ intentions to become fully self-employed. On the assumption that the attitudes of HEs towards entrepreneurship are positive, we focus on the impact of subjective norm (perception of the support from those who should the HE become full-time entrepreneur) and PBC (perception of HEs’ ability to succeed as full-time entrepreneur).

Entrepreneurs’ interest in growth may be influenced by their motivation for becoming an entrepreneur in the first place [16]. If entrepreneurship is driven by income motivation, growth is more probably viewed as desirable, whereas motivations of self-determination and self-actualization are less likely to promote interest in growth. According to one analysis, financial success as a motive is emphasized by entrepreneurs looking for sales growth, but the importance of independence is negatively associated with employment growth intentions and actual employment growth [17]. Yet independence is the most important career reason for all nascent and actual entrepreneurs in their data [17].

In the context of hybrid entrepreneurship the issue of growth motivation is more complex, as income might be better optimized by remaining in hybrid mode. Yet self-determination and self-actualization would be more fully achieved in self-employment, in which case the size of operations should be expanded until the desired level of income in self-employment is possible. Also, business growth may in itself be a source of psychological benefits. Hence, even the HEs’ with no full-time entrepreneurial intentions may have growth ambitions. In Davidson’s model [18] actual growth in a small business is determined by growth motivation of the entrepreneur. Motivation in turn is determined by ability, need and opportunity as perceived by the entrepreneur. Growth motivation is increased if the entrepreneur feels the environment offers opportunities to be exploited [18]; it has also been argued that the quality of opportunity in the environment has an effect on performance, mediated by the entrepreneur’s competencies [19]. They measure environmental characteristics with six items: diversity between firms in terms of quality, service and marketing approaches; differences between products/services provided by firms; presence of several major competitors with roughly equal positions; stage of industry development; presence of numerous well-established firms; and substantial untapped market demand. In Finland 70 percent of firms explain their growth with favorable market and competitive situation [20].

Generally speaking previous research has shown that women are, both on the level of intentions and actual behavior, less willing to become entrepreneurs than men (e.g. [21], [22]). According to the Ministry of employment and the economy in Finland, there are two female HEs to every three male HEs, whereas about a third of all entrepreneurs are women [23]. Empirical research supports the existence of a positive relationship between human capital and entrepreneurial activity [24], but in Finland formal education at least has a reverse correlation with entrepreneurship; although the effect has evened out over the last decade, full-time entrepreneurship is less common with the more educated. According to [10], however, hybrid entrepreneurship becomes increasingly common in the more highly educated groups. Also age should be considered; age seems to decrease growth motivation; growth orientation is at its highest for those under 40 [25].

In sum, based on literature we propose that differences between transitory HEs and persistent HEs might be found in age, gender, educational background, primary means of livelihood, duration of hybrid activities, turnover, field of business, job level, job satisfaction, motives for hybrid entrepreneurship, growth objectives, and finally, perceptions the market situation, support from the near circle and their own capabilities.
III. METHODOLOGY

A. Data Collection and Analysis

HEs cannot readily be identified from available databases in Finland. The data used in this study was collected with a questionnaire sent to all businesses with turnover over zero but not more than 30 000 € in the region South Ostrobothnia. The initial sample was 3 179 firms, but the questionnaire could not be delivered to 58 firms with outdated contact information. In total 3 121 firms were reached and 478 responses were received (15.3%). 182 respondents identified themselves as full-time entrepreneurs and 47 had ceased activities, leaving 249 responses from HEs.

The data was analysed with SPSS, using distributions, averages, factor analysis and regression analysis.

B. The Sample

Two thirds (66%) of the HEs were employed and 30 percent were on pension. The remaining four percent were on parental leave or full-time students. Approximately two thirds of the HEs were men. In terms of age (average age 51 years) the HEs are similar to other entrepreneurs in the region. However, more HEs have higher education (35%) than entrepreneurs in the region on average (7%).

On average the HEs spend 13 hours per week on their business activities, the median being 10 hours. Most (59%) spend 5–20 hours per week, with 14 percent spending more than 20 hours and 27 percent less than five hours on average.

The most common field of business (26%) is expert services, with other services a close second (25%). 13 percent of the respondents have an industrial firm, 11 percent are in trade and eight percent in construction. Compared to total population of firms in the region, services are over-represented among the HEs. This fits with previous results showing that part-time entrepreneurs are most frequently involved in services and expert services in particular [10], and the argument that HEs are more prevalent in fields with low financial capital requirements [8].

The average age (maturity) of the HEs’ firms was slightly over 10 years, with a median of seven years. The average turnover (n=140) for the last complete financial year was 24 247 euros, with a median of 10 500 euros. 43 percent of the HEs had a turnover of less than 8 500, which is the turnover limit for value added tax obligation in Finland.

C. Measures

To differentiate between transitory hybrid entrepreneurs (THEs) and persistent hybrid entrepreneurs (PHEs), we use an item asking how the HE rates the likelihood of becoming a full-time entrepreneur within the next three years (scale of 1=very improbable to 5=very probable). Respondents rating the probability as low (1 and 2, n=125) were classified as persistent HEs and respondents rating it high (4 and 5, n=33) as transitory HEs.

The HEs’ perceptions of the competitiveness of their products/services was measured using a six item 5-point scale, from which a single variable Competitiveness of products/services (α=0.833, average 3.4) was formed after factor analysis.

A variable Market potential was formed by factoring with items ‘the demand for our product will grow in the next few years’, ‘our industry in a growth and development stage’ and ‘there is substantial untapped market demand for our products/services’ (α=0.737, average 3.2).

Subjective norm (α=0.833, average 2.6) was measured with two items related to whether, in the HE’s opinion, the people close (e.g. spouse, children) or important (e.g. parents, friends) to him feel he should become a full-time entrepreneur. A scale from 1 (=should not) to 5 (=should was used.

The HEs’ perceptions of perceived behavioral control was measured with two items (‘how easy full-time entrepreneurship would be’, scale from 1=very difficult to 5=very easy and how they rate their chances of success as full-time entrepreneurs, scale from 1=very low to 5=very high. The two items had good correlation, and a single variable (α=0.725, average 3.5) was formed for later analysis.

IV. RESULTS

PHEs and THEs are quite similar in background. The THEs are more often women (39.4%; PHEs 33.6%) and their mean age is lower (48; PHEs 51.5), but the differences are not statistically significant. The PHEs are more often employed in subordinate level tasks (45.9%) than the THEs, who are more often employed in expert level tasks (43%) but again, the difference is not statistically significant. Similarly, the THEs have a higher education degree more often (48%) than the PHEs (34%), but the difference is not significant. Both groups are also equally satisfied with their primary employment (p=.813).

There is, however, a significant difference in the primary means of livelihood: 81% of the THEs are in salaried employment, 13% are students or on family leave and only 6% receive pension, whereas 31% of the PHEs are on pension and 68% in salaried employment (p=.000) (Table I).

<table>
<thead>
<tr>
<th>TABLE I</th>
<th>BACKGROUND VARIABLES FOR THES AND PHEs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Background variable</td>
<td>Transitory HEs (n=125)</td>
</tr>
<tr>
<td>Primary means of livelihood:</td>
<td>%</td>
</tr>
<tr>
<td>Salaried employment</td>
<td>81</td>
</tr>
<tr>
<td>Pension</td>
<td>6</td>
</tr>
<tr>
<td>Studies or family leave</td>
<td>13</td>
</tr>
<tr>
<td>Educational background:</td>
<td></td>
</tr>
<tr>
<td>Comprehensive ed. or less</td>
<td>6</td>
</tr>
<tr>
<td>Upper secondary degree</td>
<td>3</td>
</tr>
<tr>
<td>Vocational degree</td>
<td>42</td>
</tr>
<tr>
<td>Higher education</td>
<td>48</td>
</tr>
<tr>
<td>Gender (female)</td>
<td>39.4</td>
</tr>
<tr>
<td>Age (years)</td>
<td>48.0</td>
</tr>
<tr>
<td>Turnover (€)</td>
<td>29 500</td>
</tr>
</tbody>
</table>

Looking at business activities, there are no notable differences in duration of hybrid activities (THEs had on
average 9.8 years of hybrid entrepreneurship and PHEs 10.4, p=.697) or the field of business (p=.714). The difference in turnover (THEs’ average 29 500 €, PHEs’ 13 700 €) is nearly significant (p=.108), although no difference is found in the entrepreneurs’ weekly time inputs (p=.694), nor in the share of salary in annual income (p=.733).

Unsurprisingly, THEs are considerably more often focused than PHEs on increasing their turnover. Only 22 per cent of PHEs consider turnover growth “a clear objective at this time” compared to 61 per cent of THEs. The difference is statistically very significant (p=.000).

Also, as could be expected, THEs consider “safer route to full-time entrepreneurship” an important motive for hybrid entrepreneurship more often (average 3.3) than PHEs (average 2.0) (p=.000) (Table II). However, THEs are also clearly more strongly motivated by self-fulfillment (4.3) than PHEs (3.9) (p=.033). PHEs emphasize added income as a motive slightly more (3.5) than THEs (3.3) but the difference is not statistically significant (p=.306).

The clearest differences between THEs and PHEs can be found in how the HEs view the support of the people close to them (subjective norm), their own capabilities (perceived behavioral control) and market potential (Table III). THEs rate the support of their immediate circle clearly higher (3.8) than PHEs do (3.3) (p=.001). Also, THEs’ perceptions of their market environment and product/service competitiveness are more (3.3) than PHEs (2.1) (p=.000) (Table II). However, THEs are also clearly more motivated by self-fulfillment (4.3) than PHEs (3.9) (p=.033). PHEs emphasize added income as a motive slightly more (3.5) than THEs (3.3) but the difference is not statistically significant (p=.306).

VI. DISCUSSION AND IMPLICATIONS

It has been proposed that combining salaried employment and entrepreneurship can be interpreted as a testing phase prior to full-time venturing (e.g. [1], [7]), which presents partial self-employment as primarily an entry strategy. The long average duration of hybrid entrepreneurship (over ten years), together the notably small percentage (13%) of HEs rating full-time entrepreneurship within three years as probable, suggest together that hybrid entrepreneurship should not be automatically associated with nascent full-time entrepreneurship. Reference [1] finds that only the HEs with the greatest proportion of self-employment income tend to make the transition, and suggest that without a compelling performance signal, individuals persist as HEs. Our results lend indirect support to this suggestion: THEs score higher on perceived behavioral control i.e. have fewer doubts of their capabilities.

However, our results also suggest that other factors beyond a compelling signal on hybrid performance should be considered. THEs are clearly more motivated in their entrepreneurship by self-fulfillment than PHEs. If hybrid entrepreneurship, or perhaps the combination of entrepreneurship and salaried employment, offers equal or better opportunities for self-fulfillment than full self-employment, even highly performing HEs may remain in hybrid mode. Also, the considerable difference in HEs’ views on how full-time entrepreneurship would be received by his or her immediate circle is suggestive. The lack of support from family and close friends may hinder HEs who weigh the possibility of making the transition to full-time entrepreneurship.

THEs have more positive views on their firms’ market potential than the PHEs. This is understandable as transition to full-time entrepreneurship presupposes an optimistic view of the firm’s future market. However, contrary to expectations based on [7], no significant difference in time spent on entrepreneurial activities is found between THEs and PHEs.

There is an almost significant difference in turnover. This
might mean that THEs are more effective in generating turnover than PHEs. It has been suggested [1] that even where transition to full-time entrepreneurship has not been explicitly considered ex ante, hybrid entrepreneurship affords opportunities for learning. It is conceivable that the more effective HEs have come to consider full-time entrepreneurship after gaining experience of hybrid entrepreneurship rather than prior to starting their business activities.

All in all our results support a previous argument [1] that hybrids should be considered separately in research on entrepreneurial entry and self-employment. Although remarkable similar in background, the HEs who view themselves as probable future full-time entrepreneurs differ from persistent HEs in their appraisal of their capabilities and environment.

All in all, full self-employment or employment of others need not be the only benefits from entrepreneurial activity. It is noteworthy that 30 percent the HEs in our sample are on pension. Individuals on pension may contribute to the economy by hybrid entrepreneurship even if no longer willing or able to engage full-time work. Hybrid entrepreneurship may also give retired individuals personal satisfaction and a meaningful way of structuring their activities, which in turn may reduce or delay decay associated with aging in passivity.

Also, working age individuals in salaried employment may find increased motivation and an outlet for entrepreneurial energies in hybrid entrepreneurship; our analysis shows that THEs and PHEs are equally satisfied with their primary employment. Does hybrid entrepreneurship increase or maintain satisfaction with salaried employment? These and other potential benefits of hybrid entrepreneurship remain largely unexplored. Further studies exploring hybrid entrepreneurship with larger samples and in a variety of cultural and societal settings are needed. Future studies should also enquire into the motives and objectives of HEs in greater depth.

REFERENCES


