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Digital Platforms as Incubators on the Journey to Entrepreneurship

Completed Research Paper

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Abstract

Entrepreneurship fosters growth and innovation but is also associated with challenges that lead to venture failure and discourage potential entrepreneurs. Several public and private initiatives to improve the success and to support entrepreneurs are already recognized in research. The constantly growing gig economy, in which freelancers work online through digital platforms, could provide an alternative supportive environment for entrepreneurs. This qualitative study therefore addresses the role of digital platforms in empowering entrepreneurship by examining 15 entrepreneurial careers. We show how freelancers use platforms to build experience, networks, funding and selfmarketing to facilitate their entrepreneurial journey. We highlight different paths of platform entrepreneurship and a transition to entrepreneurship when freelancers develop entrepreneurial intentions and desires to leave the platform environment. We provide a theoretical model for entrepreneurship through digital platforms and enrich the entrepreneurship and digital platform literature. In practice, entrepreneurs and platform owners can use these insights for success strategies.

Keywords: Digital Entrepreneurship, Digital Platforms, Online Freelancing, Gig Economy

Introduction

An increasing number of people are working independently and outside of organisations as online freelancers via digital platforms (Blaising et al. 2021). These digital labor platforms offer many advantages, such as flexibility and autonomy, the global connection of freelancers to clients and market transparency in a wide range of tasks (Bellesia et al. 2019). Based on these opportunities, the environment of digital labor platforms can be relevant and supportive for the careers of entrepreneurs. Entrepreneurship, which is the art of starting and running a business to make a profit, drives economic growth and innovation (Jobanputra 2023; Schumpeter 1934). Nevertheless, entrepreneurship involves significant challenges and uncertainties (Casson and Wadeson 2007), and entrepreneurial ventures facing high technological and market uncertainty often fail (Piening et al. 2021; Yamakawa et al. 2015). These challenges prevent competent and confident individuals from succeeding and pushing through entrepreneurship ventures (McMullen and Shepherd 2006) and are compounded by the lack of resources and skills (Bruneel et al. 2012) and the liabilities associated with being a new and small business (Soetanto and Jack 2013).

We already know that business incubations focus on supporting entrepreneurs to start businesses by providing direct and indirect support, including access to services and resources (Dutt et al. 2016). This helps new ventures overcome challenges they typically face, such as scarcity of resources (Harper-Anderson and Lewis 2018). As an alternative to these much-researched public and private initiatives designed to improve entrepreneurs' chances of success, such as incubators, science parks, accelerators or co-working spaces (e.g., Bergman and McMullen 2022; Hallen et al. 2020; Younger and Fisher 2020), digital labor

platforms could provide a supportive environment for entrepreneurs. Research has already shown that the gig economy increases entrepreneurial activity at the market level (e.g., Burtch et al. 2018), and online freelancers on digital platforms are often considered as entrepreneurs (e.g., Idowu and Elbanna 2022). In addition, entrepreneurship research has examined platforms as market makers or sources of capital in crowdfunding (e.g., Buttice et al. 2017; Maier et al. 2023). Finally, individual aspects such as entrepreneurial education through digital labor platforms have also been emphasized in the literature (e.g., Blaising et al. 2021).

However, research has not yet sufficiently investigated how digital platforms function as incubators for entrepreneurship. It remains unclear through which factors digital labor platforms support entrepreneurial ventures and facilitate the path to entrepreneurship. Freelancing on digital labor platforms may work better and differently than traditional incubators, especially when it comes to building the necessary characteristics, skills and funding as an entrepreneur. First, entrepreneurial incubators are underdeveloped in many countries (van Rijnsoever 2020), whereas digital platforms are accessible globally, even from less developed regions. This means that every emerging entrepreneur has direct and free access to digital platforms. Second, traditional incubators are usually financed by public or private funds, which fluctuate significantly over time (Arlotto et al. 2011). For entrepreneurs, on the other hand, the use of digital labor platforms is possible without direct costs. Third, incubators support young entrepreneurs, which means that the intention to start a business arises before the incubator is utilised (Dutt et al. 2016). However, it is possible that digital platforms can create this entrepreneurial intention and online freelancers begin to form the desire to start a business through this new form of work. Therefore, this study investigates the following research question: *How do digital labor platforms facilitate the start of a career as an entrepreneur?*

This is important to investigate as it can identify new and probably better ways to stimulate innovation and support economic growth. It is also important to understand how digital platforms can mitigate the challenges of aspiring entrepreneurs and help entrepreneurs to succeed, by facilitating the development of required characteristics and skills. Digital platforms could provide a new environment that offers entrepreneurs access to resources, knowledge and support. Furthermore, insights into these dynamics on digital platforms can also help platform owners to better understand the participants on their platforms and manage them to increase their success.

To answer this research question, we conduct an exploratory analysis of 15 different entrepreneurial careers. Using semi-structured interviews, we show how digital platforms support the development of the factors experience, money, network and self-marketing and how the transition and development to entrepreneurship through digital platforms unfolds for individuals in detail. Building on this, we develop a theoretical model of the journey to entrepreneurship through digital platforms and discuss implications for entrepreneurship and platform research. We also provide recommendations for emerging entrepreneurs to shape their path to self-employment.

The rest of the paper is organized as follows. First, the theoretical background and the state of the literature on entrepreneurial characteristics and digital platforms are described. This is followed by a presentation of the qualitative methodology and an explanation of the data collection, sampling and data analysis. Finally, the results are described, the key findings are discussed and concluding remarks are made.

Theoretical Background

The following section outlines the theoretical background and begins by defining the key concepts. Entrepreneurs set up and run their own businesses in order to make a profit (Jobanputra 2023; Schumpeter 1934). Freelancing also involves working independently but can be defined as independent work that is paid and performed online via digital labor platforms (Gussek et al. 2023; Idowu and Elbanna 2022). In contrast, traditional gig work is location-dependent and consists of tasks in the "real world" that require a lower skill level than freelancing (Gussek and Wiesche 2023; Stewart and Stanford 2017). In both cases, digital labor platforms enable transactions and matching between workers who offer their services and clients who buy these services (Heimburg and Wiesche 2022; Rai et al. 2019).

Characteristics of Entrepreneurs

Entrepreneurship literature has highlighted different characteristics, skills and assets of entrepreneurs. In the following, we take a closer look at these three aspects.

First, research has examined certain characteristics of entrepreneurs. For example, the positive relationship between self-efficiency and entrepreneurial intention has been confirmed in many studies (Bergenholtz et al. 2023; Douglas et al. 2020; Hockerts 2017; Hsu et al. 2019; Schmutzler et al. 2019; Wilson et al. 2007). The creativity of entrepreneurs is also seen as a starting point for recognizing, exploiting and innovating opportunities (Gielnik et al. 2012; Zhou 2008). Furthermore, the willingness to innovate is one of the most important drivers of entrepreneurial behavior (Douglas et al. 2021). The ability to innovate refers to the willingness to integrate new ideas or methods into a company's business operations (Covin and Slevin 1991). Entrepreneurship is also often seen as a risky activity and compared to other people, entrepreneurs have a different perception of risk. Other people only see risk in certain situations, while entrepreneurs have enough confidence to recognize new possibilities and opportunities and take advantage of them (Casson and Della Giusta 2007; Douglas et al. 2020). The literature has also highlighted that entrepreneurs can be simultaneously optimistic and realistic as well as persistent and adaptable (Miller and Sardais 2015). Finally, social skills help to increase entrepreneurs' chances of starting a business (Klyver and Arenius 2022).

Second, research clearly shows that a wide range of skills and experience are crucial for entrepreneurs when founding a business (Backes-Gellner and Moog 2013). They should be able to act proactively, make quick decisions and show initiative. In addition, an entrepreneur must have leadership skills (Casson and Wadeson 2007). Furthermore, the diversity of skills has a positive influence on the entry into entrepreneurship, which is mainly related to the positive association with the probability of having certain specific skills (Chen and Thompson 2016). Entrepreneurial education also has a positive influence on entrepreneurial intentions (Bae et al. 2014) and entrepreneurship programs influence entrepreneurship attitudes, with inspiration identified as the most influential benefit of these programs (Souitaris et al. 2007).

Third, entrepreneurs need certain assets in order to be able to enter entrepreneurship. Financial capital is a decisive factor in founding a company and ensuring its success. Accordingly, financial resources are needed to acquire necessary resources such as equipment and materials, to prevent liquidity problems and to ensure smooth business operations (Frese and Gielnik 2014). In addition, an entrepreneur's environment can also be important for the founding process. The entrepreneurial community plays a role from this perspective (Arshed et al. 2023), as do entrepreneurial networks (Klyver and Arenius 2022). Support from the entrepreneur's family can also be helpful. Family social capital, for example, has a positive influence on the extent of start-up activities, which is even stronger if there is family cohesion (Edelman et al. 2016). Finally, the literature has found an inverted U-shape for advice and emotional support networks in relation to business growth, illustrating that social networks and relationships are not always positive (Arregle et al. 2015).

Entrepreneurship and Digital Platforms

In previous literature, digital platforms have already been partially associated with entrepreneurship. In the following, we present the previous research.

First, platforms have been defined in the entrepreneurship literature as an entrepreneurial context (Gala et al. 2024). The literature examines platform work as a form of entrepreneurship (Idowu and Elbanna 2022). For example, management on digital labor platforms influences the perception of gig workers as entrepreneurs (Ravenelle 2019). In addition, app developers who offer their products on digital platforms are considered as entrepreneurs (Fan et al. 2021).

Second, it was examined in research how platform work at market level influences entrepreneurship activity. Entrepreneurial activity is increased by freelancing (Burke et al. 2020). Digital labor platforms such as Uber create alternative opportunities for aspiring entrepreneurs, reducing risk and encouraging new start-ups. The introduction of gig workplaces has a positive effect on the number of newly registered companies in the respective region (Barrios et al. 2022). However, research has also found that digital labor platforms such as Uber reduce low-quality entrepreneurial activity by providing viable employment for the unemployed and underemployed (Burtch et al. 2018).

Third, digital platforms were examined as a source of capital for entrepreneurship. For example, the probability of projects receiving funding (Courtney et al. 2017; Jiang et al. 2023), success factors of crowdfunding pitches such as storytelling (Anglin et al. 2023), or the overall success of crowdfunding campaigns were examined (Franzoni and Tenca 2023; Li et al. 2023; McSweeney et al. 2022; Mollick 2014; Skirnevskiy et al. 2017). The advantages of crowdfunding platforms, such as the increase in consumer purchase intentions and brand attitudes, were also highlighted (Maier et al. 2023). In addition, networks on crowdfunding platforms were also investigated in conjunction with serial crowdfunders (Butticè et al. 2017).

Finally, there are initial ideas and indications in research that entrepreneurship orientation is increased by online freelancing (Bellesia et al. 2019; Bogatyreva et al. 2023; Sultana et al. 2019). For example, freelancers build up informal skills (Jabbari et al. 2022), or receive a kind of entrepreneurial training through the platform work (Blaising et al. 2021).

Overall, however, it remains unclear in the research to date how digital platforms support freelancers on an individual level in developing into entrepreneurs and which factors facilitate the start of an entrepreneurial career.

Method

Given the shortage of knowledge and studies that capture entrepreneurship through digital labor platforms, we use an exploratory research design that allows us to develop theoretical depth and detailed understanding of underresearched phenomena. Thus, in this study, we adopted an exploratory research strategy to address our research question (Strauss and Corbin 1990). Therefore, we collected semi-structured interview data in 15 cases and used grounded theory techniques to structure and analyze our data (Urquhart 2013). This approach is particularly suitable for researching topics that were previously poorly understood on the basis of existing literature and for analysing new data. In this way, the understanding of phenomena can be expanded and knowledge deepened, and existing theories can be extended and supplemented (Wiesche et al. 2017). Qualitative methods, such as grounded theory, make it possible to identify insightful cases, develop informed theories and design new concepts to describe emerging phenomena, such as in our case the development and empowerment of entrepreneurs through freelancing activity on digital labor platforms (Monteiro et al. 2022).

Sample and Data Collection

As a research context, we chose entrepreneurs who work as online freelancers or have already exited different digital labor platforms (e.g., Upwork, Fiverr, Freelancer, Guru). For data triangulation purposes, we also included two online freelancers in the sample who are not yet entrepreneurs but are planning to become entrepreneurs. Overall, we have studied a heterogeneous sample and the participants are from different countries and fields of activity. We focused on knowledge work and the largest job fields such as information technology, design and marketing are represented in the data set (Kässi and Lehdonvirta 2018). In summary, the participants differ according to several characteristics, but all of them worked or still work as freelancers. Furthermore, we rely on 15 semi-structured interviews. We conducted, recorded and transcribed the interviews. On average, they lasted 50 minutes and we conducted the interviews via online communication media and recorded them anonymously. Table 1 provides an overview of the sample.

The interview participants were recruited through the digital labor platforms Upwork and Fiverr. In addition, the social networks LinkedIn and Reddit forums were used to recruit entrepreneurs for our study. The freelancers and entrepreneurs were contacted at random. Furthermore, we used theoretical sampling. The data collection is orientated towards the emerging theory, i.e. the decision on which actor to interview and which questions to ask them is largely influenced by which concepts and categories in the emerging theory need further explication and refinement (Gioia et al. 2013). In our case, we started with some basic interviews with online freelancers to uncover whether and how entrepreneurship is relevant for these individuals. The initial basic interview guide contained questions about the organisation of work, career development and reasons for leaving the platform. In the course of the interviews, it turned out that many freelancers had already launched their own company or were planning to do so in the near future. We then further specified the interview guide in terms of empowerment through the platform and the transition to

entrepreneurship. In this way, we were able to define the focus of our study more precisely. We then adapted the interview guidelines to examine these aspects in all subsequent interviews.

We first asked the informants general questions about their motivation, why they decided to freelance on digital labor platforms and what experiences they had at the start of their career. We then moved on to more detailed questions about the organization of work and potential factors that enabled them to become entrepreneurs and what importance these career and success factors had for them. In addition, they were asked about how long they had used digital labor platforms before deciding to pursue a career as an entrepreneur and what motivated them to take this career path. Some sample questions were: Why did you decide to work on digital labor platforms? Was it planned from the beginning that you would leave the platform once you became an entrepreneur? Were there certain factors that helped make the transition to becoming an entrepreneur more efficient by using digital labor platforms? Our interviews continued until we realized that new data no longer provided new information and did not help us to further refine or develop our results, i.e. until we reached theoretical saturation (Glaser and Strauss 1967).

#	Professional area or task field	Country	Nature of employment
1	Engineer Geologist/Programmer	Hungary	Freelancer, Entrepreneur
2	Electrical Engineer	USA	Freelancer, Entrepreneur
3	Software Developer	Germany	Freelancer, Entrepreneur
4	Usability Testing	Germany	Freelancer, Entrepreneur
5	Usability Testing	Germany	Freelancer, Entrepreneur
6	Back-end/Front-end Developer	Mexico	Freelancer
7	Website Designer	Australia	Freelancer
8	Software Developer	Pakistan	Freelancer, Entrepreneur
9	Programmer, Web Developer	USA	Freelancer, Entrepreneur
10	Social Media Marketing	Marocco	Entrepreneur
11	Database Management	Kenya	Freelancer, Entrepreneur
12	Digital Marketing	Marocco	Entrepreneur
13	Database Management	Kenya	Entrepreneur
14	Search Engine Optimization	Pakistan	Entrepreneur
15	Graphic Designer	Kenya	Entrepreneur

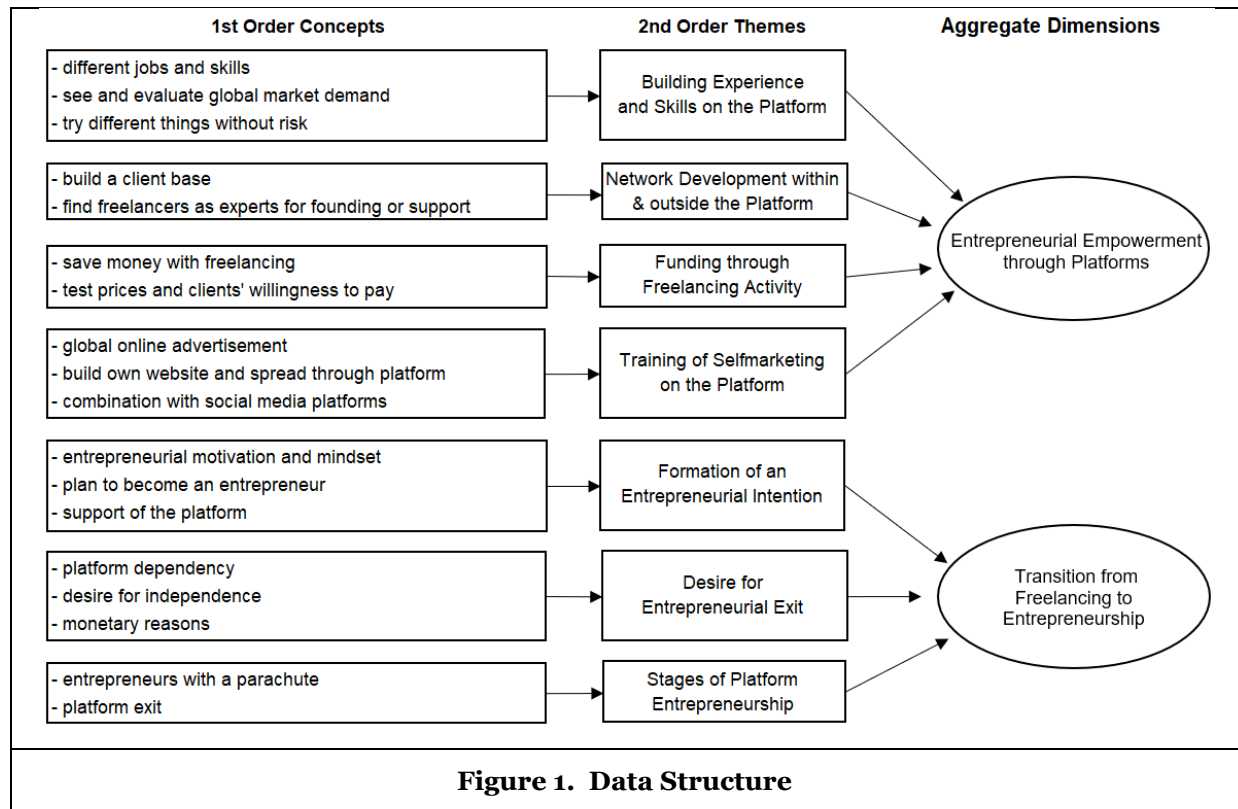
Table 1. Sample Overview

Data Analysis

The data analysis followed the framework described by Strauss and Corbin (1990) for the development of grounded theory and the three-step coding process proposed by Gioia et al. (2013). Our analysis also aimed to understand from a processual perspective how freelancers become entrepreneurs (Langley 1999). Following these guidelines, we applied an iterative process of data collection and analysis, in which the theoretical findings are compared with existing findings through a constant comparison of the new findings. (Glaser and Strauss 1967; Strauss and Corbin 1990). The data structure can be seen in Figure 1.

In a first step, the data and individual interview passages were open-coded to identify recurring first-order concepts. In conceptual coding, in-vivo codes (Gioia et al. 2013) were formed using the language of our informants whenever possible, or a simple descriptive phrase when no in-vivo code was available. These codes are short descriptive statements that summarise the main idea of the text passage considered. We coded over 200 quotations and were able to identify 18 recurring first-order concepts. In a second step, we performed axial coding, looking for relationships between and among these categories, which made it easier to group them into second-order themes. This allowed us to categorise the open codes into seven code groups (second-order themes). For example, we grouped the open codes according to the thematic categories of skills and experience, network, funding or selfmarketing that the freelancers and

entrepreneurs reported on. In the final step, we used selective codes to abstract the categories into two more complex aggregated dimensions. In this way, we identified the mechanisms of how entrepreneurial empowerment works via platforms and how the transition to entrepreneurship takes place.



Results

Online freelancers are empowered by digital labor platforms on the journey to entrepreneurship. This non-linear transition to entrepreneurship develops in different stages. The two main steps are presented in detail below. First, platform freelancers become platform entrepreneurs, as they set up their own company alongside their freelance work with the support of the digital labor platform. Second, platform entrepreneurs leave the digital labor platform and become full entrepreneurs or abandon entrepreneurial activity.

From Platform Freelancer to Platform Entrepreneur

The development starts with pure freelancing activities on the digital labor platforms. As the formation of an entrepreneurial intention and entrepreneurial empowerment starts and progresses, the freelancers become **entrepreneurs with a parachute** and set up their own company in parallel with the supporting platform use. In this hybrid role as a platform entrepreneur, they launch their ventures and continue to build their own business. They are only loosely connected to the digital platform and acquire new clients via the platform. Contracts are then still processed outside the platform.

„I moved from a job in application development as the highest-level IT guy. And I started on [a digital labor platform]. I started taking small contracts and then slowly I built up a [start-up business] here in my home.“ (#2)

Formation of an Entrepreneurial Intention

The use of digital platforms influences the entrepreneurial intention. Freelancing activity promotes the development of an **entrepreneurial motivation and mindset**. Self-employment means a certain

degree of independence, which allows emerging entrepreneurs to develop the necessary mindset to be open to new experiences and to be responsible for their own success. The motivation increases to remain self-employed in the long term and to manage this without the digital platform. As a result, the desire to start an own business develops. The emerging entrepreneurs want to offer their clients a good service and the growing connections to clients inspire them to strive for more freedom and creativity and to make a significant contribution to the business world. In addition, the freedom of freelancing increases the motivation to start an own business.

„Based on my personal experience with the platform, based on the mindset that I have. Technically, being an entrepreneur is much, much better than being a freelancer. [...] Being an entrepreneur would give you more freedom. You would be able to be more creative and to lead the work and work with more clients because you will have a lot of people working under you. And even your contribution to the business world or to the market will be much higher. [...] The main reason why I left [the platform] is because I felt that I am not meant to be a freelancer, but I am meant to be more.“ (#12)

The **plan to become an entrepreneur** therefore evolves over the course of time. Most freelancers do not necessarily pursue this plan right at the start of their work on the platform. The goal and vision of becoming an entrepreneur grows steadily the more successful the emerging entrepreneurs become on the platform.

„It wasn't the plan from the start. I always had hopes of staying on the platform for a long time, more than the four years that I have already stayed. But during the journey, the idea of entrepreneurship came to mind. And I decided to seek a new route and that led me into the entrepreneurial field.“ (#15)

Finally, the **support of the platform** strengthens the entrepreneurial intention. At the beginning of an entrepreneurship career, the platform can therefore provide support in several ways. As a global marketplace, the platform makes it easier to establish contact with clients and supports client management and job processing. For example, the platform suggests suitable jobs to freelancers by email or takes care of the invoicing. The platform environment also offers emerging entrepreneurs protection and helps with incorrect bookings or fraud by clients (e.g., #1, #5).

Therefore, digital platforms enable entrepreneurial empowerment and can be used to build experiences and skills, networks, funding and training of self-marketing. These factors make a start-up possible with the support and use of the platform.

Building Experience and Skills on the Platform

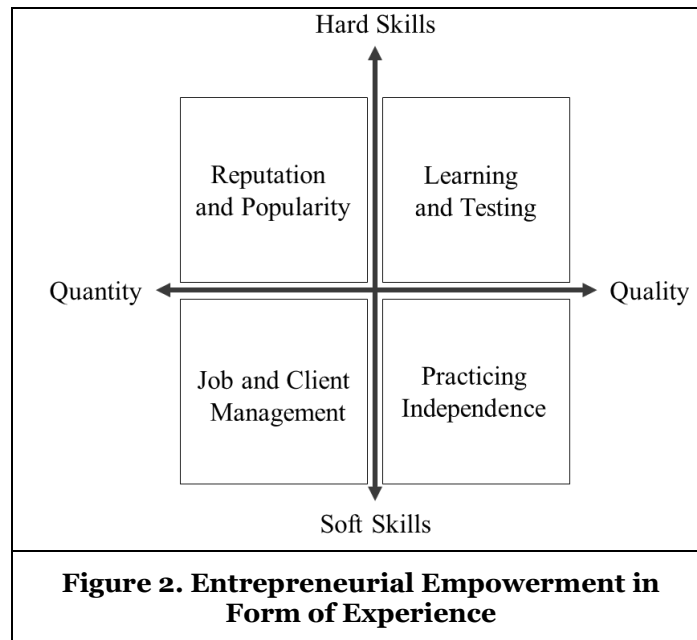
During the time as an online freelancer, various experiences and skills can be acquired that are important for further entrepreneurial development. First, **different jobs and skills** are completed or acquired in the real world during the freelancing activity. Figure 2 illustrates the four different possibilities.

„Before you start any business, you have to go to freelancing and in the digital world. [...] Freelancing comes first. Spend one year, spend two years, three years. Doesn't matter. You will gain experiences, soft skills, hard skills. [...] What really matters is that you will gain experiences in the real world, in real projects.“ (#10)

On the one hand, individual hard skills relating to the content of the activities can be learned and tested in the platform environment. Different experiences are gained as a freelancer, which are valuable for further development. For example, freelancers get to know the specific language of their industry, collect certificates for certain skills or learn through materials provided on the digital platform, such as learning videos (e.g., #6, #7).

On the other hand, a large number of jobs can be completed on the platform that require multiple skills in breadth. This allows completed jobs to increase reputation and popularity beyond the platform and enables a certain amount of self-promotion. The breadth of skills practiced can be helpful for entrepreneurial activity if the freelancer already has a lot of skills and does not necessarily need external expertise for their own business (e.g., #13, #15).

The soft skills learned on the platform are generally important for entrepreneurship. On the one hand, the emerging entrepreneurs practise self-employment and independence as online freelancers. They also learn how to manage their own finances, initially with the support of the platform. At the beginning, the platform takes over some tasks such as tracking working hours in projects, writing invoices or processing payments with clients. Freelancers can also use the platform to practise managing their own employees by distributing smaller subcontracts to other freelancers on the platform. This orchestration of projects also teaches a certain amount of teamwork. Finally, freelancers practise critical thinking in their first projects (e.g., #9, #10). On the other hand, the emerging entrepreneurs on the platform familiarize themselves with the management of many jobs and clients. This includes allocating time to several simultaneous tasks and projects and coordinating with different clients. In addition, suitable marketing must be used across the range of clients and projects in order to obtain many new jobs in the long term (e.g., #1, #13).



In addition to hard and soft skills, freelancing enables emerging entrepreneurs to **see and evaluate global market demand**. This makes it easier to plan and position their own business in the market and industry. For example, the right niche for the start-up can be identified, which would be more difficult without the global market overview on the digital platform.

„I also did a market research on what I am offering so that I can see the demand of my services before moving fully into the entrepreneurship.“ (#15)

Finally, freelancers on the platform can **try different things without risk**. This trial and error principle of several activities and areas can be used to build up a later specialization for one's own business. The emerging entrepreneurs are constantly learning and trying to implement new things within the freelancing projects. The platform clients often demand more from the freelancers than they already know. They therefore learn how to deal with challenges and difficulties during project work. These are seen as an opportunity to expand skills and as a chance for professional development outside the platform. In the safe environment of the digital platform, skills can be built up and improved slowly so that they can be used for the founding. It is better for mistakes to occur on the platform first than directly for the own business, which would have more serious consequences (e.g., #2, #6).

Network Development within and outside the Platform

While working as an online freelancer, emerging entrepreneurs can also build up and maintain a diverse network, which is very important for the establishment of an own business. First, the emerging entrepreneurs must **build a client base**, which can later be used and maintained outside the platform. It is easier to build up an initial network of clients on the platform than to manage this alone.

„It's a smoother transition, maybe that's a good title. It's a smoother transition from being an employee than if I were to say directly that I now have to go from zero to a hundred, look for clients myself and build up my business completely alone. So I can first go to [a digital labor platform], get jobs through it, until I have a large enough client base that I can do it without [the platform].“ (#4)

With the help of protection on the digital platform, clients can be reached worldwide and trust between both parties can be slowly built up. The emerging entrepreneurs optimize client interaction before and after projects and strengthen their network. Loyal clients with whom they have worked together for a long time are more willing to leave the platform and continue working with the entrepreneurs outside the platform when they transition to their own business. This means that clients can be "pulled out" of the platform, which makes the entrepreneurial launch much easier. In addition, an existing network can continue to grow through client recommendations or individual clients can become mentors of the entrepreneurs.

„There are some long term customer relationships, because there was a particular customer that I have worked on the projects for about one and a half years. And even after transitioning to the entrepreneurship field, the customer also remained to be one of my very loyal clients.“ (#15)

Second, emerging entrepreneurs **find freelancers as experts for founding or support**. They can help each other with problems during development and provide professional and social support. Freelancers can also exchange experiences and opinions and combine their skills to take on larger joint projects. Recommendations from more experienced freelancers at clients also make it easier for new freelancers to develop on the platform. Such collaborations and relationships can be established in freelancer forums or at certain events on the platform. Interactions with other aspiring entrepreneurs can also occur on the platform, which increases motivation and enables an exchange on challenges and success strategies that is more difficult to implement offline outside of digital markets (e.g., #7, #11).

Other freelancers or emerging entrepreneurs can be future partners or employees for the own business. The platform can also be used for human resource purposes after the successful founding of the company, for example to make hiring employees more uncomplicated. Contracts do not have to be drawn up independently, but can be processed via the digital labor platforms. Freelancers can be hired more easily and cheaply for temporary tasks than permanent employees and help the company move forward. In this way, skills can be complemented that the entrepreneur cannot master alone.

“I attended a few events [on the platform] that helped freelancers to connect, maybe from different parts. [...] You can share on whatever you're working on. You can give advice to each other. You can tell others how to grow, how to attract more customers, and how to give a good service to other people. Then the other thing I did was to collaborate on certain projects. These are where I found freelancers whose skills maybe were somehow more than mine, more powerful than mine. I know how to network with them, collaborate with them now. Maybe to come up with one project on something.“ (#13)

Funding through Freelancing Activity

Emerging entrepreneurs can also **save money with freelancing** to start their own business. Before taking the step into full self-employment, a financial basis can be created as a start-up aid for their own business by completing jobs on the platform. This means that emerging entrepreneurs are independent of third parties such as venture capitalists or angel investors. In the secure environment of the platform, invoices can be written and payments collected more easily and the risk of clients not paying for services is covered by the platform as a third party between clients and freelancers.

„If you are a freelancer, just always save some amount for the entrepreneurship journey. A little bit saving will help you to become an entrepreneur after that and this will boost your entrepreneurship journey as well.“ (#14)

It is also possible to **test prices and clients' willingness to pay** on the platform. The challenge of setting suitable and appropriate prices for services and jobs in certain areas and industries can be overcome using digital platforms. As freelancers can view other jobs and prices offered, this overview can be used to optimally determine their own market value. In addition, the willingness to pay of different clients can be

tested and this information can then be used for one's own business. Finally, emerging entrepreneurs learn how to handle money and improve their financial management through freelancing.

„And the other one was a pricing strategy. And this is where I rely on competitive and reasonable prices based on my skills and the market demands.” (#13)

Training of Selfmarketing on the Platform

Another aspect of entrepreneurial empowerment is self-marketing. **Global online advertisement** is possible on digital platforms. The emerging entrepreneurs can optimize their profile design or use keywords for a better ranking on the platform. In this way, they learn and practice the right marketing behavior on the platform, which is also important for the founding outside of it (e.g., #2, #15).

In addition, during the freelancing activity, they **build an own website and spread it through the platform** to strengthen their self-marketing. By linking the external websites on the platform profiles, clients can also contact the emerging entrepreneurs outside the platform for job inquiries and network with them. Clear and easily recognizable contact options should be offered on the company websites, such as support forms or email addresses. This online channel is also used for explicit self-marketing to present successfully completed jobs or services and positive client reviews outside of the platform. This increases the chance of new business relationships for the entrepreneur's company, even if the platform is no longer used in the future (e.g., #4, #7).

Finally, a **combination with social media platforms** is used for self-marketing. The creation and maintenance of social media profiles is crucial in order to increase the visibility of emerging entrepreneurs on the market and to build and secure a stable client base outside of the platform. Skills and reputation are also presented within these channels, which makes it easier to exit the platform in the future. Completed projects are regularly shared via social media, which enables an effective presentation of the portfolio.

„Self-branding is one of the most important things. [...] My LinkedIn profile is well optimized [...] because I think after some time, I just quit [the digital platform] because I am getting clients from my social media accounts, from my other sources as well. [...] There are a lot of persons now that know, if you want a web development, you want to make an application or you want to make your website... So there is a person: [name of #14]. First go to him! Everyone reference me and recommend me.“ (#14)

Leaving the Digital Labor Platform

Depending on the goals and development in the areas of freelancing and entrepreneurship, the entrepreneurs remain at the stage of a platform entrepreneur or exit the platform. The transition to entrepreneurship is complete when such a **platform exit** takes place, when a certain threshold of entrepreneurial empowerment has been reached. This means that there is enough expertise, a stable client base has been developed, financial stability has been achieved and there is sufficient reputation. However, the transition can also fail if the entrepreneurship project is abandoned or fails because not enough empowerment can be achieved. In this case, the workers usually return to a permanent position in a company.

„There is actually no right time to venture into something new, because it all depends on how you're working. The decision was pushed by some factors. The first factor was I had a business plan because I developed it in the middle of the freelancing journey. Also during the freelancing journey I had saved the capital to start my own business. I also ensured before leaving the platform that I had a solid and consistent client base [...]. And I also had a clear vision of what I wanted to do before moving.“ (#15)

Desire for Entrepreneurial Exit

After a certain amount of time as a freelancer, the desire to leave the platform and fully enter the entrepreneurship business develops for various reasons. The first reason for leaving the platform is **platform dependency**. As the freelancer profile is developed on the platform, many jobs are completed on the platform, reviews are collected and contact with clients is established through the platform, the dependency on this access to clients and jobs also increases. This is coupled with the fear that the

freelancer's profile or platform account will be blocked. In order to overcome these ties to the platform environment, experienced freelancers finally leave the platform and transfer the network they have developed on the platform to their entrepreneurship business. As a result, they are no longer dependent on the platform as an intermediary to their clients.

„I was just about to quit [the platform]. But at that time, my account just got banned. I was so stressed because that account was very important for me, and I also had a balance in it. So that's the turning point for me.” (#14)

The second reason for the decision to leave the platform and start an own business is the **desire for independence**. When working as a freelancer, a lot of time has to be spent on platform-specific tasks, such as profile design or generally dealing with the strong competition on the platform. When leaving the platform, this time could be fully invested in providing services and maintaining client relationships. The desire for complete independence is therefore increasing. As soon as a certain degree of independence has been achieved through freelancing, emerging entrepreneurs no longer want to give up this freedom and switch back to a permanent position. In addition, client interaction on the platform is restricted by certain control mechanisms, which strengthens the desire to leave the platform (e.g., #12, #14).

Finally, there are **monetary reasons** that influence an exit from the platform. Freelancing is associated with high costs, as freelancers have to pay part of their salary from jobs completed via the platform to the platform. For this reason, it is difficult to scale self-employment on platforms. The payment of salary on the platform can also be delayed. Without the platform, however, entrepreneurs receive their money immediately because there is no platform acting as an intermediary between the client and the company. In addition, more money can be earned by setting up one's own company independently of the platform. The pricing can be set higher in this case, as there is no direct global competition and price pressure. This means that clients are willing to pay more outside the platform environment.

„If a freelancer is working on [the platform] for \$5,000, I offer the service for \$15,000. No one will notice the difference, even if the quality is the same. Because you position yourself as a brand and not as a freelancer. And as I mentioned before, companies love to work with other companies, not individuals, because individuals can make mistakes and companies cannot.” (#12)

Discussion

The aim of this study was to understand how digital labor platforms empower entrepreneurship. We examined the experiences of 15 individuals who have transitioned from working as online freelancers to entrepreneurship through digital platforms. We contribute to the body of knowledge in the field of entrepreneurship and digital platforms by highlighting and structuring a theoretical model of the journey to entrepreneurship through digital platforms and thus important entrepreneurial empowerment and transition developments. Below, we outline the implications of our findings for theory and practice and discuss limitations and future research opportunities.

Theoretical Implications

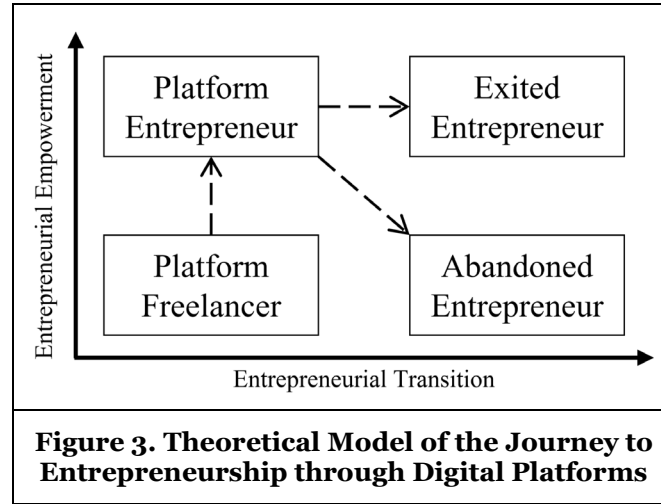
Based on our detailed results, we propose a theoretical model of the journey to entrepreneurship through digital platforms, which is illustrated in Figure 3. Different paths to self-employment through an own business lead via digital platforms as incubators for entrepreneurship. We illustrate how digital platforms support freelancers on an individual level to develop into entrepreneurs and which factors facilitate the start of an entrepreneurial career. We show how these developments and the interplay of these factors work in detail. Entrepreneurial empowerment through experience, network, funding and self-marketing increases through the use of the platform and promotes the entrepreneurial transition. The digital platform creates the organizational framework for further development, practice, learning and testing for individuals.

The individuals who work on the platform start with a low level of empowerment as **platform freelancers**. As soon as they gain experience on and with the help of the platform, build a network, save money and engage in self-marketing, the empowerment increases and enables the freelancers to enter the entrepreneurship business. They thus become **platform entrepreneurs** who are still active on the platform. Many platform entrepreneurs remain at this stage and continue to use the digital platform

alongside their own business. If the transition processes, the platform entrepreneurs will eventually exit the platform environment and become independent of the platform environment as **exited entrepreneurs**. In the case that the platform entrepreneurs give up the entrepreneurship business or do not pursue it further and, for example, switch back to a permanent position in the offline labor market, the transition proceeds without an entrepreneurial empowerment and they become **abandoned entrepreneurs**.

There are therefore three possible paths on the journey to entrepreneurship through digital platforms:

- i) from platform freelancer to platform entrepreneur, at which point the transition is completed
- ii) from platform freelancer via platform entrepreneur to exited entrepreneur
- iii) from platform freelancer via platform entrepreneur to abandoned entrepreneur



Thus, we contribute to the platform and entrepreneurship literature in different aspects. First, we show how working as a freelancer on digital platforms increases entrepreneurial empowerment and strengthens necessary characteristics and skills that previous research has identified as beneficial for entrepreneurs. Digital platforms support the development of experiences, and a wide range of skills are crucial for entrepreneurs when founding a business (Backes-Gellner and Moog 2013). Social skills (Klyver and Arenius 2022) and leadership skills (Casson and Wadeson 2007) can also be built up as a freelancer and help to increase entrepreneurs' chances of starting a business. In addition, we have illustrated how a network of clients and other freelancers can be established on the platform. This community (Arshed et al. 2023) and a corresponding network (Klyver and Arenius 2022) are important for entrepreneurs. Our results also show how freelancing can provide financial resources that help prevent liquidity problems and enable smooth business operations (Frese and Gielnik 2014).

Second, our qualitative findings on entrepreneurial intention confirm the findings of previous quantitative research, which has found that gig economy activity increases entrepreneurial intentions (e.g., Bogatyreva et al. 2023; Burtch et al. 2018; Jabbari et al. 2022). However, our study uses the two dimensions of entrepreneurial empowerment and transition to entrepreneurship to explain in detail how this effect and the mechanisms work. In addition, the use of digital labor platforms can be seen as an antecedent of entrepreneurial intention (e.g., Bae et al. 2014; Douglas et al. 2020).

Third, we have examined the different desires for entrepreneurial exit in more detail. We thus illustrate a new type of governance conflict for platform research (Gol et al. 2019). On the one hand, the platform's support for freelancers and the dependency built up on the platform environment means advantages for the platform owners, as they can thus bind the freelancers to the platform and generate more value (Farrell and Klemperer 2007; Gussek and Wiesche 2024; Kost et al. 2020; Wohlfarth 2019). On the other hand, this lock-in effects reinforce the desire for independence, which has the negative consequence for the platform of drawing freelancers out of the platform into self-employment and ultimately causing them to leave, as the freelancers start their own entrepreneurship business. This effect of being pushed out is becoming more and more pronounced and practically forces freelancers to start their own business in order to reduce the dependencies and power of the platform.

Practical Implications

Our study additionally has practical implications for entrepreneurs and platform owners. First, our results show that digital platforms are a possible path to entrepreneurship for individuals. Especially when it is not possible to start a business alone, the platform environment can help to build experience, networks, funding or self-marketing. Before starting an own business, gaining experience and skills on digital platforms can be very beneficial. Emerging entrepreneurs should consider working as a freelancer for a few years to develop skills that are essential for starting and running a business. While freelancing, emerging entrepreneurs can build a diverse network that can later be of value to their own business. They should use the platform to gain their first clients and build relationships with long-term partners who will continue to support them outside of the platform. In addition, emerging entrepreneurs in the gig economy can build up financial resources to start their own business without having to rely on external investors. They should also take the opportunity to test their customers' willingness to pay. Finally, self-marketing skills can be developed, which are crucial for the success of an own business. Emerging entrepreneurs should optimize their profiles on digital platforms, use external websites to strengthen their presence and actively use social media platforms to market their services. Overall, digital platforms can therefore educate and train more entrepreneurs, which will strengthen the economy in the future and enable more innovation.

The transition from freelancing to entrepreneurship should also be strategically planned. It is important to build a solid base of skills, networks and financial resources before individuals leave the platform and start their own business. A gradual transition, where freelancing and entrepreneurship temporarily exist in parallel, can be a successful strategy. Digital platforms also motivate individuals who would otherwise not have considered this option to become self-employed and start a business. However, despite the benefits of freelancing as a preparation for entrepreneurship, emerging entrepreneurs should also consider the potential risks and challenges. These include dependence on the platform, the need for clear financial planning and the risk of mistakes and failures on the journey to entrepreneurship.

Second, platform owners will realize why successful freelancers leave platforms over time. They can respond with appropriate measures to support this type of freelancer and further develop the conditions for this specific type of freelancer. For example, communication options with clients could be improved so that freelancers can expand their network even more, or the fee structure could be further reduced for platform entrepreneurs so that they do not leave the platform completely.

Limitations and Future Research

Our research has some limitations that need to be considered. First, our exploratory results are a preliminary step towards understanding empowerment and the transition to entrepreneurship through digital platforms. However, our study is based on 15 interviews, which limits the generalizability of our findings. Therefore, our results should be further explored in future research. For example, a larger sample should be targeted and information about the platforms and further observations should be added or a large-scale survey of freelancers and platform entrepreneurs could be conducted to test the generalizability of our theoretical model and relationships.

Second, we have included freelancers, platform entrepreneurs as well as entrepreneurs who have already successfully left the platform in our sample in order to cover as many perspectives of the phenomenon as possible. Since we distinguished between the different forms but did not go into more detail about the differences, these three sub-forms should be explored individually in further research to get more details about the aspects. In this way, group-specific differences can also be uncovered in different countries, platforms or task fields.

Third, literature is inconsistent as to whether freelancers should be defined as entrepreneurs. We did not take this discrepancy in research into account in our analysis and defined freelancers as a preliminary stage of entrepreneurship. In future research, these definitions should be differentiated in more detail.

Finally, due to our research focus on entrepreneurial empowerment and the transition to entrepreneurship through digital platforms, we were unable to examine some other possible influencing factors in detail. Future research might include further aspects such as gender or the success of the entrepreneur's own business in the analyses.

Conclusion

In summary, we investigated the role of digital labor platforms in empowering entrepreneurship by exploring the experiences of individuals who have transitioned from working as online freelancers to entrepreneurship through digital platforms. Through a qualitative analysis of 15 interviews, we examined the use of digital labor platforms in the entrepreneurial journey. Our results showed that digital labor platforms promote entrepreneurship by building experience, networks, funding and self-marketing within the platform environment. Freelancers are thus supported on the path to entrepreneurship by digital platforms. Thus, the transition to entrepreneurship is enabled as the intention to become an entrepreneur develops and various desires for an entrepreneurial exit emerge. Furthermore, there are different stages of platform entrepreneurship, and freelancers either become entrepreneurs with a parachute and continue to use the platforms or leave the platforms as independent entrepreneurs. Finally, we developed a theoretical model of the journey to entrepreneurship through digital platforms and described our contributions to literature on entrepreneurship and digital platforms.

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